

Saizen Real Estate Investment Trust

(A real estate investment trust constituted on 27 September 2007 under the laws of the Republic of Singapore (as amended))

Announcement In Relation To The Unaudited Quarterly And Full Year Financial Statements For The Period And Year Ended 30 June 2015

TABLE OF CONTENTS

Item no.	Description	Page no.
	Introduction	2 – 3
-	Key financial information	3
-	Summary of results	4 – 5
-	Distribution details	5
-	Background of Saizen REIT	5
	Information Required for Announcements	
1(a)	Statement of total return	6 – 7
	Statement of distributable income from operations	8
1(b)(i)	Balance sheet	9 – 10
1(b)(ii)	Aggregate amount of the Group's borrowings and debt securities	10
1(c)	Cash flow statement	11 – 13
1(d)(i)	Statement of changes in Unitholders' funds	13
1(d)(ii)	Details of changes in the Units and utilisation of warrant proceeds	14
2 & 3	Audit statement	14
4 & 5	Changes in accounting policies	14
6	Earnings per Unit for the financial period	14 – 15
7	Net Asset Value per Unit based on issued Units at the end of 30 June 2015 and 30 June 2014	15
8	Review of performance	15 – 18
9	Variance between previous forecast or prospect statement and actual results	19
10	Outlook and prospects	19 – 20
11	Distributions	20 – 21
12	Segmental results	21
13	Factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments	21
14	A breakdown of sales	21
15	A breakdown of total annual distribution	21
16	Interested person transactions	22
17	General mandate for interested person transactions	22
18	Disclosure of person occupying a managerial position pursuant to Rule 704(13) of the Listing Manual	22

INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 2.93 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 30 June 2015 (“**2H FY2015**”). The distribution per Unit (“**DPU**”) for the corresponding six-month financial period ended 30 June 2014 (“**2H FY2014**”) was 3.10 cents. This decrease in DPU was mainly due to the depreciation of the JPY against the S\$.

The DPU for financial year ended 30 June 2015 (“**FY2015**”) will amount to an aggregate of 6.03 cents as compared to an aggregate of 6.35 cents for the previous financial year ended 30 June 2014 (“**FY2013**”). Notwithstanding the increase of 1.8% in distributable income generated during the year from JPY 1,459.9 million (S\$16.1 million¹) in FY2014 to JPY 1,486.8 million (S\$16.4 million) in FY2015, the depreciation of the JPY against the S\$ contributed to the decrease in aggregate DPU for FY2015.

Establishment of a distribution reinvestment plan (“DRP”) in July 2015. Under the DRP, Unitholders may elect to receive distributions in the form of fully-paid units or cash, or a combination of both. Cash retained pursuant to the DRP may be used as a capital management tool to manage the regular principal repayment obligations of Saizen REIT’s long-term loans.

Saizen REIT’s distributable income currently includes an amount from capital cash resources which will be used to offset loan principal repayment. For 2H FY2015, the use of capital cash resources to offset loan principal repayment contributed to 1.45 cents out of the DPU of 2.93 cents. Going forward, the ability to offset such loan principal repayment will depend on the availability of such cash resources. Such cash resources may include warrant proceeds on hand, cash raised on new loans in future, and cash retained pursuant to the DRP.

Establishment of independent evaluation committee (the “Evaluation Committee”) in August 2015. In view of several unsolicited proposals that have been recently put forth to the Manager for consideration, the Evaluation Committee was established to lead the assessment and evaluation of such proposals, including those that involve material corporate actions.

Increase in property valuations. On a same-property basis, the aggregate value of Saizen REIT’s 136 properties increased 3.6% from a year ago. The Management Team has observed an improvement in the overall property market in the past year, with capital values enhanced by a compression of average capitalisation rates in many cities. Based on the Management Team’s recent discussions with Saizen REIT’s panel of independent valuers, it was noted that the valuers generally adopt a conservative approach in their valuations such that there is a general lag in timing in recognising the market uptrend. Additionally, fast-moving market conditions may not be fully reflected in the valuers’ assumptions due to the lack of public market transaction data (other than those published by REITs listed in Japan) and the lack of immediate information flow. Consequently, valuations in a buoyant market typically lag behind actual market transaction prices. For reference, Saizen REIT completed 3 divestments in 2014 and is expected to complete another divestment in August 2015 at prices (inclusive of consumption tax) which represent premiums of between 12.8% and 20.4% over valuation.

Property operations remained stable in FY2015. Revenue and net property income decreased slightly by 1.4% and 1.9% respectively in FY2015 as compared to FY2014, due mainly to the divestment of 3 properties between May 2014 and November 2014 and a decrease in average occupancy rates.

Year-on-year revenue, for the fourth quarter ended 30 June 2015 (“**4Q FY2015**”) remained relatively stable. The decreased in net property income of 2.1% was mainly due to higher operating expenses, in particular repair and renovation expenses which were incurred to enhance the competitiveness of Saizen REIT’s properties.

The average occupancy rate was 90.6% in FY2015 as compared to 91.0% in FY2014, while overall rental reversion of new contracts entered into in FY2015 was marginally lower by about 0.6% (FY2014: lower by about 0.5%) from previous contracted rates. The average turnover rate improved to 17% in FY2015 from 19% in FY2014.

Saizen REIT divested 2 properties, namely Sun Port 6 and High Grace II, in FY2015 at premiums of 12.8% and 16.0% respectively over valuation.

Debt profile strengthened with 3 new loans. Saizen REIT successfully obtained 3 loans, amounting to an aggregate of JPY 1,450.0 million (S\$16.0 million), in FY2015. 2 out of these 3 loans were secured from new lenders, further diversifying Saizen REIT's sources of financing. The new loan from The Shonai Bank, Ltd also represented a strategic breakthrough as it is Saizen REIT's first loan from a bank in the northern region of Japan, where lending practices are typically more conservative.

The weakening of the JPY against the S\$ in FY2015 had weighed on Saizen REIT's net asset value and income in S\$-terms. Saizen REIT has hedged the distribution payment for 2H FY2015 and for the six-month financial period ending 31 December 2015. On the other hand, the foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged.

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

Key financial information

	FY2015	FY2014
Net asset value per Unit as at 30 June		
(JPY)	103.7 ²	99.3 ³
(S\$)	1.14 ²	1.22 ³
Distribution per Unit (cents)	6.03 ⁴	6.35 ⁵
Interest cover ratio⁶	6.0 times	6.2 times
Net impairment of trade receivables⁷ as % of gross revenue	0.044%	0.017%
Gearing – net borrowings⁸/value of investment properties	29.4%	30.9%
Gearing – total borrowings / total assets	35.3%	36.5%
Net cash as at 30 June	JPY 4.54 billion	JPY 4.29 billion
Borrowings due within next 12 months	JPY 1.00 billion	JPY 1.56 billion
Value of investment properties as at 30 June	JPY 43.09 billion	JPY 42.06 billion
Net appreciation in the value of investment properties	JPY 1.37 billion	JPY 0.84 billion
Average occupancy rate (by revenue)	90.6%	91.0%

Notes:

1. Based on an exchange rate of JPY90.9/S\$ as at 30 June 2015, which is applied throughout this announcement unless stated otherwise.
2. Based on 283,611,720 Units in issue as at 30 June 2015 and an exchange rate of JPY90.9/S\$ as at 30 June 2015
3. 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.
4. Distribution per Unit in FY2015 comprised DPU of 3.10 cents and 2.93 cents declared for 1H FY2015 and 2H FY2015 respectively.
5. Distribution per Unit in FY2014 comprised DPU of 3.25 cents and 3.10 cents declared for 1H FY2014 and 2H FY2014 respectively.
6. Net property income of 4Q divided by the sum of interest expenses and realised loss on interest rate swap of 4Q.
7. Net impairment of trade receivables comprised the sum of impairment/write back of trade receivables and trade receivables written-off.
8. Net borrowings is equal to total borrowings less net cash (cash at bank plus deposit with cash management agent less current rental deposits, other current liabilities and current tax liabilities).

Summary of results

Net asset value attributable to Unitholders increased from JPY 28.2 billion as at 30 June 2014 to JPY 29.4 billion as at 30 June 2015, attributable mainly to the total return of the Group in 2H FY2015 (augmented by an increase in property valuations), and partially offset by the payment of distributions for the six-month financial period ended 31 December 2014 (“**1H FY2015**”).

However, due mainly to the depreciation of the JPY against the S\$ of approximately 10.6%, net asset value per Unit decreased from S\$1.22 as at 30 June 2014 to S\$1.14 as at 30 June 2015.

The following is a summary of Saizen REIT’s operating performance for 4Q FY2015, the fourth quarter ended 30 June 2014 (“**4Q FY2014**”), FY2015 and FY2014.

	4Q FY2015 ¹	4Q FY2014 ²	FY2015 ³	FY2014 ⁴	Increase / (Decrease) %
Gross revenue					
(S\$’000)	10,851 ⁵	12,092 ⁶	44,620 ⁷	49,245 ⁸	
(JPY’000)	979,827	986,741	3,899,826	3,954,382	(1.4)
Net property income					
(S\$’000)	7,315 ⁵	8,270 ⁶	30,596 ⁷	33,959 ⁸	
(JPY’000)	660,577	674,868	2,674,053	2,726,893	(1.9)
Net income from operations					
(S\$’000)	4,490 ⁵	5,149 ⁶	19,358 ⁷	21,672 ⁸	
(JPY’000)	405,456	420,199	1,691,923	1,740,242	(2.8)
Total return after income tax					
(S\$’000)	17,885 ⁵	13,212 ⁶	32,078 ⁷	26,548 ⁸	
(JPY’000)	1,615,055	1,078,100	2,803,599	2,131,826	31.5

	2H FY2015	1H FY2015	FY2015	FY2014
Distributable income				
(S\$’000)	8,549 ⁹	8,461 ¹⁰	17,011 ⁷	18,181 ⁸
(JPY’000)	761,709	725,071	1,486,780	1,459,908
Distribution				
(S\$’000)	8,310 ¹¹	8,792	17,102	18,009
(JPY’000)	711,321 ¹²	769,737	1,481,058	1,468,488
Distribution per Unit¹³				
(cents)	2.93	3.10	6.03	6.35

Notes:

1. There were 136 properties at the start of 4Q FY2015 and 136 properties at the end of 4Q FY2015.
2. There were 139 properties at the start of 4Q FY2014 and 138 properties at the end of 4Q FY2014.
3. There were 138 properties at the start of FY2015 and 136 properties at the end of FY2015.
4. There were 139 properties at the start of FY2014 and 138 properties at the end of FY2014.
5. Based on an average exchange rate of JPY90.3/S\$ between 1 April 2015 and 30 June 2015.
6. Based on an average exchange rate of JPY81.6/S\$ between 1 April 2014 and 30 June 2014.
7. Based on an average exchange rate of JPY87.4/S\$ between 1 July 2014 and 30 June 2015.
8. Based on an average exchange rate of JPY80.3/S\$ between 1 July 2013 and 30 June 2014.
9. Based on an average exchange rate of JPY89.1/S\$ between 1 January 2015 and 30 June 2015.
10. Based on an average exchange rate of JPY85.7/S\$ between 1 July 2014 and 31 December 2014.

11. Based on 283,611,720 Units in issue.
12. Based on an estimated hedged exchange rate of JPY85.6/US\$.
13. The portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment) amounted to 1.45 cents, 1.30 cents, 2.75 cents and 2.66 cents in 2H FY2015, 1H FY2015, FY2015 and FY2014 respectively. Please refer to note 3 of the Statement of distributable income from operations on page 8 for further information.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	2.93 cents per Unit
Books closure date	31 August 2015, 5.00 p.m.
Date payable	28 September 2015

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited on 9 November 2007, is the first REIT listed in Singapore offering exclusive access to Japanese residential real estate.

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

Saizen REIT's portfolio as at 30 June 2015 comprised 136 properties located in 14 cities in Japan, and was valued at approximately JPY 43.1 billion (S\$474.1 million).

Saizen REIT invests in the properties in Japan via partnership agreements ("**TK agreements**") with local property holding companies known as *tokumei kumiai* operators ("**TK operators**"). As at the date hereof, Saizen REIT has entered into TK agreements with 14 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, GK Gyotatsu and GK Togen.

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

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (4Q FY2015 vs 4Q FY2014)**

	4Q FY2015 (JPY'000)	4Q FY2014 (JPY'000)	Increase / (Decrease) %
Gross revenue	979,827	986,741	(0.7)
Property operating expenses	(319,250)	(311,873)	2.4
Net property income	660,577	674,868	(2.1)
Manager's management fees	(52,464)	(51,320)	2.2
Asset management fees	(38,317)	(22,529)	70.1
Trustee's fee	(3,437)	(3,551)	(3.2)
Finance costs ¹	(125,698)	(104,299)	20.5
Interest income	769	444	73.2
Other income/(expenses) ²	25,591	(6,570)	NM ³
Other trust expenses	(27,142)	(26,628)	1.9
Other administrative expenses	(34,423)	(40,216)	(14.4)
Net income from operations	405,456	420,199	(3.5)
Gain on divestment of property	-	4,716	NM ³
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ⁴	52,671	(67,731)	NM ³
Net fair value gain on investment properties	1,373,336	838,431	63.8
Total return for the period before income tax⁵	1,831,463	1,195,615	53.2
Income tax ⁶	(216,408)	(117,515)	84.2
Total return for the period after income tax	1,615,055	1,078,100	49.8
Attributable to:			
Unitholders	1,598,881	1,062,886	50.4
Non-controlling interests	16,174	15,214	6.3
	1,615,055	1,078,100	49.8

Notes:

1. Finance costs comprised the following:

	4Q FY2015 (JPY'000)	4Q FY2014 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(89,625)	(89,332)	0.3
(ii) amortisation of loan commission	(13,062)	(12,657)	3.2
(iii) guarantor fee to asset manager	(7,771)	(7,794)	(0.3)
(iv) foreign exchange difference from financing	(15,240)	5,484	NM ³

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

3. NM denotes not meaningful.

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

	4Q FY2015 (JPY'000)	4Q FY2014 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,482)	(20,163)	1.6
(ii) unrealised fair value gain/(loss) on interest rate swap	11,109	(35,911)	NM ³
(iii) fair value gain/(loss) on forward contract and/or zero cost collar	62,044	(11,657)	NM ³

The unrealised fair value gain/(loss) on interest rate swap in 4Q FY2015 and 4Q FY2014 was related to interest rate swap arrangements entered into for the purpose of fixing the interest rates of loans. Unrealised fair value gain/(loss) on interest rate swap is non-cash in nature.

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

	4Q FY2015 (JPY'000)	4Q FY2014 (JPY'000)	Increase / (Decrease) %
(i) impairment on trade receivables	(160)	(166)	(3.6)
(ii) trade receivables written-off	(457)	(85)	>100.0

6. Income tax comprised the imputed 20.42% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. Property depreciation expenses, recognised by these TK operators under the accounting regulations in Japan (ie. Japanese GAAP), are tax deductible for the purpose of computing the withholding tax payable. Property depreciation expenses amounted to JPY 199.3 million and JPY 202.2 million in 4Q FY2015 and 4Q FY2014 respectively.

Statement of total return (for the Group) (FY2015 vs FY2014)

	FY2015 (JPY'000)	FY2014 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,899,826	3,954,382	(1.4)
Property operating expenses	(1,225,773)	(1,227,489)	(0.1)
Net property income	2,674,053	2,726,893	(1.9)
Manager's management fees	(209,253)	(205,877)	1.6
Asset management fees	(61,996)	(48,203)	28.6
Trustee's fee	(13,778)	(10,224)	34.8
Finance costs ¹	(531,180)	(496,189)	7.1
Interest income	2,593	2,611	(0.7)
Other income ²	91,595	42,784	>100.0
Other trust expenses	(111,722)	(111,800)	(0.1)
Other administrative expenses	(148,389)	(159,753)	(7.1)
Net income from operations	1,691,923	1,740,242	(2.8)
(Loss)/gain on divestment of properties	(1,240)	4,716	NM ³
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ⁴	127,303	(189,575)	NM ³
Net fair value gain on investment properties	1,367,688	838,431	63.1
Total return for the year before income tax⁵	3,185,674	2,393,814	33.1
Income tax ⁶	(382,075)	(261,988)	45.8
Total return for the year after income tax	2,803,599	2,131,826	31.5
Attributable to:			
Unitholders	2,766,600	2,099,879	31.8
Non-controlling interests	36,999	31,947	15.8
	2,803,599	2,131,826	31.5

Notes:

1. Finance costs comprised the following:

	FY2015 (JPY'000)	FY2014 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(361,788)	(364,637)	(0.8)
(ii) amortisation of loan commission	(51,975)	(49,533)	4.9
(iii) guarantor fee to asset manager	(30,586)	(31,668)	(3.4)
(iv) cost of refinancing/repayment	(5)	-	NM ³
(v) foreign exchange difference from financing	(86,826)	(50,351)	72.4

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

3. NM denotes not meaningful.

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

	FY2015 (JPY'000)	FY2014 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(81,119)	(81,015)	0.1
(ii) unrealised fair value gain/(loss) on interest rate swap	56,951	(131,573)	NM ³
(iii) fair value gain on forward contract and/or zero cost collar	151,471	23,013	>100.0

The unrealised fair value gain/(loss) on interest rate swap in FY2015 and FY2014 was related to interest rate swap arrangements entered into for the purpose of fixing the interest rates of loans. Unrealised fair value gain/loss on interest rate swap is non-cash in nature.

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

	FY2015 (JPY'000)	FY2014 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	11	311	(96.5)
(ii) trade receivables written-off	(1,715)	(978)	75.4

6. Income tax comprised the imputed 20.42% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. Property depreciation expenses, recognised by these TK operators under the accounting regulations in Japan (ie. Japanese GAAP), are tax deductible for the purpose of computing the withholding tax payable. Property depreciation expenses amounted to JPY 805.7 million and JPY 807.9 million in FY2015 and FY2014 respectively.

Statement of distributable income from operations

		2H FY2015	1H FY2015	FY2015	FY2014
Total return for the period/year after income tax before distribution attributable to Unitholders	(JPY'000)	1,873,916	892,684	2,766,600	2,099,879
Adjustments ¹	(JPY'000)	(1,121,306)	(158,514)	(1,279,820)	(615,910)
Adjusted return for the period/year	(JPY'000)	752,610	734,170	1,486,780	1,483,969
Cash deployed for loan principal repayment ²	(JPY'000)	(343,817)	(332,099)	(675,916)	(634,492)
Loan principal repayment offset by capital cash resources ³	(JPY'000)	352,916	323,000	675,916	613,545
Cash deployed for one-off borrowing costs ⁴	(JPY'000)	(4,917)	(31,057)	(35,974)	(111,114)
One-off borrowing costs offset by capital cash resources ⁵	(JPY'000)	4,917	31,057	35,974	108,000
Distributable income generated during the period/year	(JPY'000)	761,709	725,071	1,486,780	1,459,908
Income available for distribution to Unitholders at the beginning of the period/year	(JPY'000)	720,995	721,077	721,077	692,174
Distribution paid during the period/year ⁶	(JPY'000)	(769,737)	(725,153)	(1,494,890)	(1,431,005)
Distributable income from operations at the end of the period/year	(JPY'000)	712,967	720,995	712,967	721,077
Distribution to Unitholders	(JPY'000)	711,321 ⁷	769,737	1,481,058	1,468,488
Distribution per Unit	(cents)	2.93	3.10	6.03	6.35

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain/loss on forward contract and zero cost collar, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, loss/gain on divestment of properties, net fair value gain on investment properties, deferred tax expenses, provisions for asset management fees (relating to fair value gains in investment properties) and unrealised foreign exchange differences.
- The amount deployed for loan principal repayment comprised mainly loan principal amortisation payments. While loan principal amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.
- Loan principal amortisation in FY2014 and FY2015 had been and will partially be paid with capital cash resources, such as proceeds from new borrowing and/or warrant proceeds, rather than cash generated from operations. This is in line with Saizen REIT's intention to utilise, when possible, undeployed capital cash resources to offset loan principal amortisation, thereby effectively making available cash from operations for distributions.

	2H FY2015	1H FY2015	FY2015	FY2014
Portion of DPU funded by capital cash resources used to offset loan principal repayment (cents)	1.45	1.30	2.75	2.66

Cash deployed for loan principal repayment in 1H FY2015 was not fully offset by capital cash resources. Based on capital cash resources available, additional capital cash resources will be used in 2H FY2015 to fully offset the aggregate loan amortisation repayment made in FY2015. As such, the amount of capital cash resources to be used to offset loan principal repayment in 2H FY2015 will exceed the amount of cash deployed for loan principal repayment in the same period.

- The amount deployed for one-off borrowing costs in FY2014 and FY2015 comprised loan-related costs such as upfront loan commissions and legal and professional fees.
- One-off borrowing costs paid in FY2014 and FY2015 had been and will be partially offset using capital cash resources.
- Distribution paid in 2H FY2015 was related to the distribution declared for the six-month financial period ended 31 December 2014. Distribution paid in 1H FY2015 was related to the distribution declared for the six-month financial period ended 30 June 2014. Distribution paid in FY2014 was related to the distribution declared for the six-month financial periods ended 31 December 2013 and 30 June 2013.
- Based on an estimated hedged exchange rate of JPY85.6/US\$.

Saizen REIT's distribution policy is to distribute at least 90% of its income available for distribution to Unitholders.

1(b)(i) Balance sheet

	The Group	
	As at 30 Jun 2015 (JPY'000)	As at 30 Jun 2014 (JPY'000)
Current assets		
Cash and cash equivalents	5,489,450	5,162,431
Deposits with cash management agents	364	510
Trade and other receivables	23,280	20,349
Other current assets	57,153	60,212
Derivative financial instruments ¹	74,647	4,386
	<u>5,644,894</u>	<u>5,247,888</u>
Non-current assets		
Investment properties ²	43,093,100	42,056,200
	<u>43,093,100</u>	<u>42,056,200</u>
Total assets	<u>48,737,994</u>	<u>47,304,088</u>
Current liabilities		
Rental deposits	427,750	447,847
Rental received in advance	257,452	251,926
Borrowings	1,002,238	1,559,034
Other current liabilities ³	346,991	293,048
Current tax liabilities	174,651	130,083
Derivative financial instruments ⁴	-	7,725
	<u>2,209,082</u>	<u>2,689,663</u>
Non-current liabilities		
Rental deposits	32,993	33,901
Borrowings	16,200,876	15,729,710
Derivative financial instruments ⁵	320,392	377,343
Other non-current liabilities ⁶	61,012	30,335
Deferred tax liabilities ⁶	343,838	182,054
	<u>16,959,111</u>	<u>16,353,343</u>
Total liabilities	<u>19,168,193</u>	<u>19,043,006</u>
Total net assets	<u>29,569,801</u>	<u>28,261,082</u>
Represented by:		
Unitholders	29,423,120	28,151,410
Non-controlling Interests	146,681	109,672
	<u>29,569,801</u>	<u>28,261,082</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>103.74</u>	<u>99.26</u>

Notes:

1. The derivative financial instruments (current assets) as at 30 June 2015 comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payment which is expected to take place in September 2015 and March 2016.

The derivative financial instruments (current assets) as at 30 June 2014 comprised a zero cost collar (valued at its maximum strike) entered into for the purpose of hedging the range of JPY-S\$ exchange rate of Saizen REIT's distribution payments which took place in September 2014.

2. The increase in investment properties of JPY 1.0 billion from JPY 42.1 billion as at 30 June 2014 to JPY 43.1 billion as at 30 June 2015 was mainly due to the increase in the fair value of Saizen REIT's properties, and partially offset by the sale of 2 properties.

3. The increase in other current liabilities was mainly due to the increase in consumption tax payable on the transfer of 2 properties from GK Choan to GK Togen.

4. The derivative financial instruments (current liabilities) as at 30 June 2014 comprised a zero cost collar (valued at its minimum strike) and a forward contract entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payments which took place in September 2014 and March 2015 respectively.

5. The derivative financial instruments (non-current liabilities) comprised interest rate swaps used to hedge against fluctuations in the interest rates of loans.
6. Other non-current liabilities (comprising provision for asset management fees) and deferred tax liabilities (imputed 20.42% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators) were recognised in connection with the fair value gain on investment properties.

	Saizen REIT	
	As at 30 Jun 2015 (JPY'000)	As at 30 Jun 2014 (JPY'000)
Current assets		
Cash and cash equivalents	670,046	1,722,093
Distribution receivable	848,622	633,236
Other receivables	995	782
Other assets	2,099	1,226
Derivative financial instruments	74,647	4,386
	<u>1,596,409</u>	<u>2,361,723</u>
Non-current assets		
Investment in subsidiaries	28,430,609	26,984,688
	<u>28,430,609</u>	<u>26,984,688</u>
Total assets	<u>30,027,018</u>	<u>29,346,411</u>
Current liabilities		
Borrowings ¹	363,520	975,594
Other current liabilities	74,172	76,569
Current tax liabilities	173,409	128,938
Derivative financial instruments	-	7,725
	<u>611,101</u>	<u>1,188,826</u>
Total liabilities	<u>611,101</u>	<u>1,188,826</u>
Total net assets	<u>29,415,917</u>	<u>28,157,585</u>
Represented by:		
Unitholders	<u>29,415,917</u>	<u>28,157,585</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>103.72</u>	<u>99.28</u>

Note:

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

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

	As at 30 Jun 2015 (JPY'000)	As at 30 Jun 2014 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	1,002,238	1,559,034
Amount repayable after one year	16,200,876	15,729,710
	<u>17,203,114</u>	<u>17,288,744</u>

Borrowings as at 30 June 2015 were secured over investment properties valued at JPY 42.3 billion in aggregate and bank deposits of JPY 0.4 billion.

The decrease in borrowings from JPY 17.3 billion as at 30 June 2014 to JPY 17.2 billion as at 30 June 2015 was mainly due to (i) partial loan repayments (following the sale of 2 properties), (ii) loan principal amortisation payments and (iii) partial repayment of credit facilities, and partially offset by 3 new loans.

1(c) Cash flow statement (for the Group) (4Q FY2015 vs 4Q FY2014)

	4Q FY2015 (JPY'000)	4Q FY2014 (JPY'000)
Operating activities		
Total return for the period after income tax	1,615,055	1,078,100
Adjustments for:		
Income tax	216,408	117,515
Interest income	(769)	(444)
Interest expenses	102,687	101,989
Net fair value (gain)/loss on financial derivatives	(52,671)	67,731
Gain on divestment of properties	-	(4,716)
Net fair value gain on investment properties	(1,373,336)	(838,431)
Unrealised foreign exchange loss/(gain) from financing	15,240	(5,484)
Operating profit before working capital changes	522,614	516,260
Changes in working capital		
Deposit with cash management agents	35	-
Trade and other receivables	(2,463)	299
Other current assets	9,419	2,039
Other current liabilities	(4,325)	(27,196)
Other non-current liabilities	30,676	14,453
Rental received in advance	3,027	(15,031)
Rental deposits	(10,293)	(9,766)
Cash generated from operations	548,690	481,058
Income tax	-	(3)
Withholding tax paid	(12,972)	(21,469)
Cash flows provided by operating activities	535,718	459,586
Investing activities		
Capital expenditure/addition of investment properties	(21,045)	(12,424)
Proceeds from sale of investment properties	-	55,116 ¹
Cash flows (used in)/provided by investing activities	(21,045)	42,692
Financing activities		
Repayment of bank borrowings	(172,631)	(192,009)
Interest received	779	460
Interest paid	(89,962)	(198,036) ²
Payment of interest rate swap	(20,482)	(20,163)
Bank deposits pledged for bank borrowings	(15,240)	5,484
Cash flows used in financing activities	(297,536)	(404,264)
Net increase in cash and cash equivalents	217,137	98,014
Cash and cash equivalents at beginning of the period	4,709,793	3,893,823
Cash and cash equivalents at end of the period ³	4,926,930	3,991,837

Notes:

- This related to the sale of 1 property in 4Q FY2014.
- This included one-off borrowing costs of JPY 108.0 million paid in 4Q FY2014 in relation to the extension of the a loan in June 2014.
- For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	4Q FY2015 (JPY'000)	4Q FY2014 (JPY'000)
Cash and bank balances (per balance sheet)	5,489,450	5,162,431
Less: Bank deposits pledged	(562,520)	(1,170,594)
	4,926,930	3,991,837

Bank deposits pledged related to minimum bank balances which are to be maintained by Saizen REIT, GK Choan, GK Gyotatsu and GK Tosei in 4Q FY2015, and by Saizen REIT, GK Choan and GK Tosei in 4Q FY2014 under the terms of their respective loans or credit facilities.

1(c) Cash flow statement (for the Group) (FY2015 vs FY2014)

	FY2015 (JPY'000)	FY2014 (JPY'000)
Operating activities		
Total return for the year after income tax before distribution	2,803,599	2,131,826
Adjustments for:		
Income tax	382,075	261,988
Interest income	(2,593)	(2,611)
Interest expenses	413,768	414,170
Net fair value (gain)/loss on financial derivatives	(127,303)	189,575
Loss/(gain) on divestment of properties	1,240	(4,716)
Net fair value gain on investment properties	(1,367,688)	(838,431)
Unrealised foreign exchange loss from financing	38,322	36,208
Operating profit before working capital changes	2,141,420	2,188,009
Changes in working capital		
Deposit with cash management agents	146	30
Trade and other receivables	(2,907)	7,447
Other current assets	4,478	2,900
Other current liabilities	54,914	(72,092)
Other non-current liabilities	30,676	14,453
Rental received in advance	5,526	(54,560)
Rental deposits	(21,006)	(26,388)
Cash generated from operations	2,213,247	2,059,799
Income tax paid	(1,145)	(1,143)
Withholding tax paid	(174,578)	(231,098)
Cash flows provided by operating activities	2,037,524	1,827,558
Investing activities		
Contribution from non-controlling interests	10	-
Capital expenditure of investment properties	(134,212)	(90,669)
Proceeds from sale of investment properties	463,760 ¹	55,116
Cash flows provided by/(used in) investing activities	329,558	(35,553)
Financing activities		
Bank borrowings obtained ²	1,450,000	-
Repayment of bank borrowings ³	(1,589,952)	(668,092)
Distribution to Unitholders	(1,494,890)	(1,431,005)
Interest received	2,569	2,643
Interest paid	(400,156)	(475,993)
Net settlement of interest rate swap and forward contract	(7,634)	(51,760)
Bank deposits pledged for bank borrowings	608,074 ⁴	(36,208)
Cash flows used in by financing activities	(1,431,989)	(2,660,415)
Net increase/(decrease) in cash and cash equivalents	935,093	(868,410)
Cash and cash equivalents at beginning of the year	3,991,837	4,860,247
Cash and cash equivalents at end of the year⁵	4,926,930	3,991,837

Notes:

1. 2 properties were sold in FY2015.
2. 3 loans were obtained in FY2015.

3. Repayment of bank borrowings in FY2015 comprised mainly (i) partial loan repayments (following the sales of 2 properties), (ii) the partial repayment of credit facilities, and (iii) loan principal amortisation payments. Repayment of bank borrowings in FY2014 comprised mainly loan principal amortisation payments.
4. This was related to bank deposits which were previously pledged as collateral for advances drawn on cash-backed facilities. For the repayment of advances drawn on the credit facilities, the bank deposits had been released from such pledge.
5. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	FY2015 (JPY'000)	FY2014 (JPY'000)
Cash and bank balances (per balance sheet)	5,489,450	5,162,431
Less: Bank deposits pledged	<u>(562,520)</u>	<u>(1,170,594)</u>
	<u>4,926,930</u>	<u>3,991,837</u>

Bank deposits pledged related to minimum bank balances which are to be maintained by Saizen REIT, GK Choan, GK Gyotatsu and GK Tosei in FY2015, and by Saizen REIT, GK Choan and GK Tosei in FY2014 under the terms of their respective loans or credit facilities.

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

<u>The Group</u>	FY2015 (JPY'000)	FY2014 (JPY'000)
OPERATIONS		
Balance as at beginning of the year	(11,299,035)	(12,242,909)
Total return for the year	2,766,600	2,099,879
Distribution to Unitholders	<u>(1,152,032)</u>	<u>(1,156,005)</u>
Balance as at end of year	<u>(9,684,467)</u>	<u>(11,299,035)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	39,450,445	39,725,445
Distribution to Unitholders ¹	<u>(342,858)</u>	<u>(275,000)</u>
Balance as at end of year	<u>39,107,587</u>	<u>39,450,445</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>29,423,120</u>	<u>28,151,410</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the year	109,672	77,725
Effect on investment in new TK operator	10	-
Total return for the year	<u>36,999</u>	<u>31,947</u>
Balance as at end of year	<u>146,681</u>	<u>109,672</u>
TOTAL	<u>29,569,801</u>	<u>28,261,082</u>
<u>Saizen REIT</u>		
	FY2015 (JPY'000)	FY2014 (JPY'000)
OPERATIONS		
Balance as at beginning of the year	(12,547,787)	(13,472,346)
Total return for the year	2,753,222	2,080,564
Distribution to Unitholders	<u>(1,152,032)</u>	<u>(1,156,005)</u>
Balance as at end of year	<u>(10,946,597)</u>	<u>(12,547,787)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	40,705,372	40,980,372
Distribution to Unitholders ¹	<u>(342,858)</u>	<u>(275,000)</u>
Balance as at end of year	<u>40,362,514</u>	<u>40,705,372</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>29,415,917</u>	<u>28,157,585</u>

Note:

1. This relates to the utilisation of warrant proceeds to offset loan amortisation for distribution purposes.

1(d)(ii) Details of changes in the Units and utilisation of warrant proceeds

	<u>4Q FY2015 (Units)</u>	<u>4Q FY2014 (Units)</u>
Issued Units as at beginning and end of period	283,611,720	283,611,720

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$1.1 million has been used for Units buy-backs, S\$0.3 million has been used for working capital purposes (daily operating expenses), approximately S\$28.1 million had been deployed towards the repayment of borrowings and approximately S\$9.3 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. Warrant proceeds amounting to S\$4 million have yet to be deployed.

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

While these figures have neither been audited nor reviewed by our auditors, the audit is ongoing and the audited financial statements will be presented in Saizen REIT's FY2015 annual report.

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

Not applicable.

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

The accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those stated in the audited financial statements for the year ended 30 June 2014, except for new or amended FRS and Interpretation to FRS that are mandatory for application from 1 July 2014.

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

Not applicable.

6. Earnings per Unit for the financial period

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

(a) Basic EPU

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

(b) Diluted EPU

Diluted EPU is the same as the basic EPU as no dilutive instruments were in issue during the financial period.

	4Q FY2015	4Q FY2014	FY2015	FY2014
Total return for the period/year attributable to Unitholders for basic and diluted EPU (JPY'000)	1,598,881	1,062,886	2,766,600	2,099,879
EPU - basic and diluted (JPY) (cents)	5.64 6.24 ¹	3.75 4.60 ²	9.75 11.16 ³	7.40 9.22 ⁴
Weighted average number of Units	283,611,720	283,611,720	283,611,720	283,611,720

Notes:

1. Based on an average exchange rate of JPY90.3/\$\$ between 1 April 2015 and 30 June 2015.
2. Based on an average exchange rate of JPY81.6/\$\$ between 1 April 2014 and 30 June 2014.
3. Based on an average exchange rate of JPY87.4/\$\$ between 1 July 2014 and 30 June 2015.
4. Based on an average exchange rate of JPY80.3/\$\$ between 1 July 2013 and 30 June 2014.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 30 June 2015 and 30 June 2014

The Group	As at 30 June 2015	As at 30 June 2014
NAV per Unit based on issued Units at the end of financial period (JPY)	103.74	99.26
(S\$)	1.14 ¹	1.22 ²
Saizen REIT	As at 30 June 2015	As at 30 June 2014
NAV per Unit based on issued Units at the end of financial period (JPY)	103.72	99.28
(S\$)	1.14 ¹	1.22 ²

Notes:

1. Based on an exchange rate of JPY90.9/\$\$ as at 30 June 2015.
2. Based on an exchange rate of JPY81.3/\$\$ as at 30 June 2014.

8. Review of performance

Income statement: FY2015 vs FY2014

	FY2015 ¹ (JPY'000)	FY2014 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,899,826	3,954,382	(1.4)
Property operating expenses ³	(1,225,773)	(1,227,489)	(0.1)
Net property income	2,674,053	2,726,893	(1.9)
Asset management fees	(61,996)	(48,203)	28.6
Interest expenses ⁴	(442,907)	(445,652)	(0.6)
Guarantor fee to asset manager	(30,586)	(31,668)	(3.4)
Other administrative expenses	(115,589)	(108,361)	6.7
Net income from property operations	2,022,975	2,093,009	(3.3)
Interest income	2,593	2,611	(0.7)
Net foreign exchange gain/(loss) ⁵	4,769	(7,567)	NM ⁶
Other operating expenses ⁷	(419,533)	(428,826)	(2.2)
Adjustment ⁸	81,119	81,015	0.1
Net income from operations	1,691,923	1,740,242	(2.8)

Notes:

1. There were 138 properties at the start of FY2015 and 136 properties at the end of FY2015.
2. There were 139 properties at the start of FY2014 and 138 properties at the end of FY2014.
3. Property operating expenses comprised the following:

	FY2015 (JPY'000)	FY2014 (JPY'000)	Increase / (Decrease) %
Property tax	282,667	285,129	(0.9)
Property manager's fees	153,193	155,929	(1.8)
Operation and maintenance expenses	183,487	186,649	(1.7)
Repairs and renovations	228,104	217,655	4.8
Leasing and marketing expenses	108,678	120,744	(10.0)
Utilities charges	166,782	172,753	(3.5)
Insurance expenses	42,518	44,309	(4.0)
Write back of impairment on trade receivables	(11)	(311)	(96.5)
Trade receivables written-off	1,715	978	75.4
Consumption tax arising from operations	58,640	43,654	34.3

4. Interest expenses included the realised loss (payment) on interest rate swap.
5. Net foreign exchange gain/(loss) comprised mainly unrealised foreign exchange gain/(loss) on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.
6. NM denotes not meaningful.
7. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding foreign exchange differences from financing, interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.
8. The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

Property-level operations

Gross revenue and net property income decreased by 1.4% and 1.9% respectively in FY2015, due mainly to the divestment of 3 properties between May 2014 and November 2014 and a decrease in average occupancy rates.

Average occupancy rates in FY2015 was 90.6% as compared to 91.0% in FY2014, while overall rental reversion of new contracts entered into in FY2015 was marginally lower by about 0.6% (FY2014: lower by about 0.5%) from previous contracted rates.

Property operating expense decreased marginally by 0.1%. An improvement in tenant turnover rate from 19% in FY2014 to 17% in FY2015 contributed to the decrease in leasing and marketing expenses of 10.0%. Higher repairs and renovations expenses, which increased by 4.8%, were incurred to enhance the competitiveness of Saizen REIT's properties.

Asset management fees (which are computed as 3% of the property business profits prepared under Japanese GAAP) increased from JPY 48.2 million in FY2014 to JPY 62.0 million in FY2015, due mainly to an increase in provisions of asset management fees of JPY 16.2 million in connection with the fair value gain in investment properties (as any gains on the disposal of properties could increase property business profits)

Other administrative expenses increased by 6.7%, due mainly to legal and professional fees which were incurred in connection with 3 loans obtained in FY2015.

Net income from property operations decreased by 3.3% in FY2015, due mainly to the decrease in net property income and the increase in asset management fees.

Group-level operations

Net income from operations decreased 2.8% from JPY 1,740.2 million in FY2014 to JPY 1,691.9 million in FY2015, due mainly to the decrease in net income from property operations.

Trustee's fee increased by 34.8% from JPY 10.2 million in FY2014 to JPY 13.8 million in FY2015. The trustee's fee in FY2014 had included downward adjustments of JPY 3.7 million for over-accruals in the previous financial year.

Other Group-level non-operating items

The loss on divestment of properties of JPY 1.2 million in FY2015 comprised mainly consumption tax expenses incurred in connection with the transfer of 2 properties from GK Choan to GK Togen, which was partially offset by gains on disposal of 2 other properties. Comparatively, the divestment of 1 property in FY2014 resulted in a gain on disposal of JPY 4.7 million.

The unrealised fair value gain on interest rate swap of JPY 57.0 million was recognised in FY2015. Comparatively, an unrealised fair value loss of JPY 131.6 million was recognised in FY2014 due mainly to interest rate swap arrangements entered into to fix the interest rates of loans.

A fair value gain on forward contract and/or zero cost collar of JPY 151.5 million was recognised in FY2015 as the JPY had weakened against the S\$ in FY2015. Comparatively, a fair value gain of JPY 23.0 million was recognised in FY2014.

The net fair value gain on investment properties was JPY 1,367.7 million in FY2015. The Management Team has observed an improvement in the overall property market in the past year, with capital values enhanced by a compression of average capitalisation rates in many cities. Valuations of properties in the cities of Fukuoka, Sapporo, Sendai and Tokyo increased by 5.6% on average on the back of improvements in the local property markets. On the other hand, the valuation of properties in Kitakyushu, Kagoshima and Kumamoto increased marginally by 0.6% on average due to challenging leasing conditions.

Income statement: 4Q FY2015 vs 3Q FY2015

	4Q FY2015 ¹ (JPY'000)	3Q FY2015 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	979,827	969,537	1.1
Property operating expenses ³	(319,250)	(317,427)	0.6
Net property income	660,577	652,110	1.3
Asset management fees	(38,317)	(8,207)	>100.0
Interest expenses ⁴	(110,107)	(108,261)	1.7
Guarantor fee to asset manager	(7,771)	(7,476)	3.9
Other administrative expenses	(27,241)	(29,751)	(8.4)
Net income from property operations	477,141	498,415	(4.3)
Interest income	769	743	3.5
Net foreign exchange gain/(loss) ⁵	10,351	(10,278)	NM ⁸
Other operating expenses ⁶	(103,287)	(100,992)	2.3
Adjustment ⁷	20,482	20,201	1.4
Net income from operations	405,456	408,089	(0.6)

Notes:

1. There were 136 properties at the start and at the end of 4Q FY2015.
2. There were 136 properties at the start and at the end of the preceding third quarter ended 31 March 2015 ("3Q FY2015").

3. *Property operating expenses comprised the following:*

	4Q FY2015 (JPY'000)	3Q FY2015 (JPY'000)	Increase / (Decrease) %
Property tax	73,317	68,343	7.3
Property manager's fees	38,500	37,935	1.5
Operation and maintenance expenses	44,619	48,238	(7.5)
Repairs and renovations	64,125	57,984	10.6
Leasing and marketing expenses	31,712	33,629	(5.7)
Utilities charges	39,871	46,119	(13.5)
Insurance expenses	10,626	10,564	0.6
Write back of impairment on trade receivables	160	247	(35.2)
Trade receivables written-off	457	252	81.3
Consumption tax arising from operations	15,863	14,116	12.4

4. *Interest expenses included the realised loss (payment) on interest rate swap.*5. *Net foreign exchange gain/loss comprised mainly unrealised foreign exchange gain/loss on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.*6. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.*7. *The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.*8. *NM denotes not meaningful.*Property-level operations

Gross revenue and net property income increased by 1.1% and 1.3% respectively in 4Q FY2015 as compared with 3Q FY2015, due mainly to an improvement in occupancy rates.

The average occupancy rate was 91.4% in 4Q FY2015 as compared to 90.9% in 3Q FY2015, while overall rental reversion of new contracts entered into in 4Q FY2015 was marginally lower by about 0.4% (3Q FY2015: lower by about 0.8%) from previous contracted rates.

Property operating expenses increased slightly by 0.6% in 4Q FY2015 as compared to 3Q FY2015. Higher repairs and renovations expenses, which increased by 10.6% in 4Q FY2015, were incurred to enhance the competitiveness of Saizen REIT's properties. Property tax expenses increased by 7.3%, due mainly to an additional accrual of JPY 2.3 million made in 4Q FY2015 in respect of under-accruals in 3Q FY2015. On the other hand, utilities expenses and operation and maintenance expenses were higher during the leasing and winter seasons in 3Q FY2015.

Asset management fees (which are computed as 3% of the property business profits prepared under Japanese GAAP) increased from JPY 8.2 million in 3Q FY2015 to JPY 38.3 million in 4Q FY2015, due mainly to provisions of asset management fees of JPY 30.7 million in connection with the fair value gain in investment properties (as any gains on the disposal of properties could increase property business profits).

Net income from property operations decreased by 4.3% in 4Q FY2015, due mainly to the increase in asset management fees.

Group-level operations

Net income from operations decreased slightly by 0.6% from JPY 408.1 million in 3Q FY2015 to JPY 405.5 million in 4Q FY2015. The decrease in net income from property operations was partially offset by a net foreign exchange gain of JPY 10.4 million in 4Q FY2015 which arose due to the depreciation of the JPY against the S\$ in the quarter. Comparatively, a net foreign exchange loss of JPY 10.3 million was recorded in 3Q FY2015.

Other Group-level non-operating items

The transfer of 2 properties from GK Choan to GK Togen contributed a loss on divestment of properties of JPY 24.6 million in 3Q FY2015. No property was divested in 4Q FY2015.

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

Saizen REIT has not disclosed any forecast to the market.

In respect of the acquisition of a property in Fukuoka, which was previously targeted for completion by July 2015, the final phases of due diligence are currently being carried out and the acquisition is expected to be completed by early September 2015. Save for the delay in this potential acquisition, the results for the current financial period/year reported on were in line with its commentary under the section "Outlook and prospects" in the previous quarter's results announcement.

10. Outlook and prospects

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.

Having successfully obtained 3 loans in FY2015, the Management Team will continue to seek opportunities to increase Saizen REIT's gearing level (from 35% currently to between 40% and 45%) and to expand its property portfolio with yield-accretive acquisitions.

The potential acquisition of a property in Fukuoka, which was previously targeted for completion by July 2015, is undergoing the final phases of due diligence and is expected to be completed by early September 2015.

The Japanese government had continued the implementation of its expansionary economic policies over the past year. According to a report from Savills, midmarket rent of rental apartments in the 23-ward area of Tokyo showed a year-on-year increase of 1.1% in the quarter ended 30 June 2015. Saizen REIT's properties in Tokyo reported an average positive rental reversion of 2.4% in FY2015. The Management Team remains hopeful that rental deflation will gradually filter through to the other cities in Japan.

The Management Team has observed that the property market in Japan, especially in Tokyo, is buoyant, and this is reflected in the level of interest in Saizen REIT based on the proposals (as discussed below) which the Manager has received. Additionally, it is also observed that properties are generally priced at aggressive yields in the current market, often above their appraised values. For reference, Saizen REIT had previously divested 3 properties in 2014 at premiums of between 12.8% and 19.0% over valuation and had recently signed a conditional sale and purchase agreement to sell Niken Chaya Grand Heights at a premium of 20.4% over valuation.

Note:

1. Sale prices include consumption tax.

Evaluation committee

An evaluation committee comprising solely the independent non-executive directors of the Manager has been established to lead the assessment and evaluation of proposals that are received or tabled from time to time, including proposals that may involve, among others, material corporate actions involving Saizen REIT's portfolio and/or unitholding structure. Please refer to Saizen REIT's announcement entitled "Establishment of Independent Evaluation Committee" published on 13 August 2015 for further information.

Distribution reinvestment plan

Saizen REIT's DRP, which provides unitholders of Saizen REIT with an option to receive distributions either in the form of units in Saizen REIT or cash or a combination of both, will apply to the distribution for the six-month financial period from 1 January 2015 to 30 June 2015. Please see Saizen REIT's announcement entitled "Notice of Books Closure and Distribution Payment Date | Application of Distribution Reinvestment Plan to the Distribution in respect of the Distribution Period from 1 January 2015 to 30 June 2015" published on 20 August 2015 for further information.

Hedging of foreign exchange exposure

Saizen REIT has hedged the distribution payment for the six-month financial period ending 31 December 2015, which is expected to be paid in March 2016, has been hedged using forward contracts at an average rate of JPY87.0/S\$. Management will look into further hedging for the distribution payment for the six-month financial period ending 30 June 2016 in due course.

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

11. Distributions**11(a) Current financial period**

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2015
Distribution type	Tax-exempt income
Distribution rate	2.93 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT. Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2015.</p>

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

Any distributions declared for the corresponding period of the immediate preceding financial year?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2014
Distribution type	Tax-exempt income
Distribution rate	3.10 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT. Tax-exempt income distributed by Saizen REIT will not be</p>

	<p>subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2014.</p>
--	---

11(c) Date payable

28 September 2015

11(d) Books closure date

31 August 2015, 5.00 p.m.

12. Segmental results

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

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

Not applicable.

14. A breakdown of sales

<u>The Group</u>	FY2015 (JPY'000)	FY2014 (JPY'000)	Increase/ (Decrease) %
(a) Gross revenue reported for first half year	1,950,463	1,978,583	(1.4)
(b) Total return before deducting non-controlling interest reported for first half year	907,423	784,679	15.6
(c) Gross revenue reported for second half year	1,949,363	1,975,799	(1.3)
(d) Total return before deducting non-controlling interest reported for second half year	1,896,176	1,347,147	40.8

15. A breakdown of the total annual distribution

<u>Distribution to Unitholders (the Group)</u>	FY2015 (JPY'000)	FY2014 (JPY'000)
1 July 2013 to 31 December 2013 (paid)		743,335
1 January 2014 to 30 June 2014 (paid)		725,153
1 July 2014 to 31 December 2014 (paid)	769,737	
1 January 2015 to 30 June 2015 (to be paid) ¹	711,321	
	1,481,058	1,468,488

Note:

1. Please refer to the section entitled "Statement of distributable income from operations" for further details.

16. Interested person transactions

Guarantor fees paid to the Asset Manager amounted to an aggregate of JPY 30.6 million (S\$0.3 million) in FY2015.

Divestment fees paid to the Manager for the sale of 2 properties amounted to JPY 1.6 million (approximately S\$17,700) in FY2015.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 24.8 million (S\$0.3 million) in FY2015.

Fees paid to the Asset Manager for the rental of office premises amounted to JPY 0.5 million (approximately S\$5,800) in FY2015.

17. General mandate for interested person transactions

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

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

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

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

BY ORDER OF THE BOARD

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

20 August 2015