

Saizen Real Estate Investment Trust

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

Announcement In Relation To The Unaudited Financial Statements For The First Quarter Ended 30 September 2015

TABLE OF CONTENTS

Item no.	Description	Page no.
	Introduction	2
-	Summary of results	2 – 3
-	Background of Saizen REIT	3
	Information Required for Announcements	
1(a)	Statement of total return	4 – 5
	Statement of distributable income from operations	6
1(b)(i)	Balance sheet	7 – 8
1(b)(ii)	Aggregate amount of the Group's borrowings and debt securities	8
1(c)	Cash flow statement	9 – 10
1(d)(i)	Statement of changes in Unitholders' funds	10
1(d)(ii)	Details of changes in the Units and utilisation of warrant proceeds	11
2 & 3	Audit statement	11
4 & 5	Changes in accounting policies	11
6	Earnings per Unit for the financial period (Group)	12
7	Net Asset Value per Unit based on issued Units at the end of 30 September 2015 and 30 June 2015	12
8	Review of performance	13 – 16
9	Variance between previous forecast or prospect statement and actual results	16
10	Outlook and prospects	16 – 17
11 & 12	Distributions	17
13	Interested person transactions	17 – 18
14	General mandate for interested person transactions	18
15	Confirmation by Directors pursuant to Clause 705(5) of the Listing Manual of the SGX-ST	18
16	Confirmation pursuant to Rule 720(1) of the Listing Manual of the SGX-ST	18

INTRODUCTION

Acceptance of offer. On 31 October 2015, the Manager (as defined herein) announced the acceptance of an offer for the acquisition of all the real estate assets in Saizen REIT's portfolio in Japan by Triangle TMK, for an agreed purchase consideration of JPY 44,660.0 million (S\$517.3 million¹) (subject to adjustments, if any) (the "**Proposed Transaction**"). The Proposed Transaction is conditional upon, among others, approval from Unitholders at an extraordinary general meeting of Saizen REIT to be convened and is expected to be completed in the first quarter of 2016.

Gross revenue remained stable, increasing by 0.3% in the first quarter ended 30 September 2015 ("**1Q FY2016**") as compared to the first quarter ended 30 September 2014 ("**1Q FY2015**"). The increase in gross revenue was due mainly to a year-on-year increase in occupancy rates and partially offset by the divestment of 3 properties between July 2014 and August 2015. Net property income decreased by 1.1% in 1Q FY2016, resulted from higher repair and renovation expenses. Net income from operations increased slightly by 0.2%.

On a quarter-on-quarter basis, gross revenue decreased slightly by 0.3% as compared to the preceding quarter ended 30 June 2015 ("**4Q FY2015**"), due mainly to the effect of negative rental reversions, partially offset by an increase in occupancy rates. Net property income increased by 1.1%, due mainly to a decrease in leasing and marketing expenses after the leasing season in April 2015. A decrease in asset management fee in 1Q FY2016, due mainly to adjustments recognised in 4Q FY2015 in connection with fair value gains in investment properties, contributed to the quarter-on-quarter increase in net income from operations of 5.9%.

The average occupancy rate of Saizen REIT's properties was 91.6% in 1Q FY2016, as compared to 90.1% in 1Q FY2015 and 91.4% in 4Q FY2015.

Overall rental reversion of new contracts entered into in 1Q FY2016 was lower by about 2.2% (1Q FY2015: lower by about 0.7% and 4Q FY2015: lower by about 0.4%) from previous contracted rates, due mainly to the reversion of contracts previously entered into before 2008. Rents in Kitakyushu continued to be weak in 1Q FY2016, while the expiry of contracts which were entered into between 8 to 26 years ago contributed to negative reversions recorded in Sapporo. On the other hand, positive rental reversions had been observed in specific areas and properties; for example, Saizen REIT's properties in Tokyo and Sendai recorded positive rental reversion of 2.7% and 3.3% on average respectively in 1Q FY2016.

Saizen REIT acquired a property, Strasse Nanokawa, in August 2015 for JPY 513.0 million (S\$6.1 million²). It is expected to generate annual revenue and net property income of approximately JPY 30.5 million (S\$0.4 million) and JPY 21.8 million (S\$0.3 million) respectively.

Saizen REIT also divested a property, namely Niken Chaya Grand Heights, in August 2015 for JPY 460.0 million (S\$5.5 million), which represented a premium of approximately 20.4% to its valuation.

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

Summary of results

Net asset value attributable to Unitholder decreased from JPY 29.4 billion as at 30 June 2015 to JPY 29.1 billion as at 30 September 2015, attributable mainly to the payment of income distributions for the six-month financial period ended 30 June 2015 to Unitholders in September 2015, and partially offset by the total return of the Group for the three-month financial period of 1Q FY2016. Net asset value per Unit increased from S\$1.14 as at 30 June 2015 to S\$1.21 as at 30 September 2015, due mainly to the appreciation of the JPY against the S\$ in 1Q FY2016 of approximately 8.5%.

The following is a summary of Saizen REIT's operating performance for 1Q FY2016, 1Q FY2015 and 4Q FY2015.

	1Q FY2016 ³	1Q FY2015 ⁴	4Q FY2015 ⁵
Gross revenue			
(S\$'000)	11,098 ⁶	11,716 ⁷	10,851 ⁸
(JPY'000)	976,611	973,613	979,827
Net property income			
(S\$'000)	7,588 ⁶	8,127 ⁷	7,315 ⁸
(JPY'000)	667,739	675,335	660,577
Net income from operations			
(S\$'000)	4,879 ⁶	5,154 ⁷	4,490 ⁸
(JPY'000)	429,352	428,334	405,456

Notes:

1. Based on the illustrative exchange rate of JPY86.33/S\$ as at 28 October 2015, as set out in the announcement titled "Proposed transaction in relation to Saizen REIT's entire portfolio of real estate assets in Japan" published on 31 October 2015.
2. Based on an exchange rate of JPY83.8/S\$ as at 30 September 2015, which is applied throughout this announcement unless stated otherwise.
3. There were 136 properties at the start and at the end of 1Q FY2016.
4. There were 138 properties at the start of 1Q FY2015 and 137 properties at the end of 1Q FY2015.
5. There were 136 properties at the start and at the end of 4Q FY2015.
6. Based on an average exchange rate of JPY88.0/S\$ between 1 July 2015 and 30 September 2015.
7. Based on an average exchange rate of JPY83.1/S\$ between 1 July 2014 and 30 September 2014.
8. Based on an average exchange rate of JPY90.3/S\$ between 1 April 2015 and 30 June 2015.

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") 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 September 2015 comprised 136 properties located in 14 cities in Japan, and was valued at approximately JPY 43.2 billion (S\$515.3 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) (1Q FY2016 vs 1Q FY2015)**

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)	Increase / (Decrease) %
Gross revenue	976,611	973,613	0.3
Property operating expenses	(308,872)	(298,278)	3.6
Net property income	667,739	675,335	(1.1)
Manager's management fees	(54,310)	(52,876)	2.7
Asset management fees	(8,841)	(8,918)	(0.9)
Trustee's fee	(3,268)	(3,639)	(10.2)
Finance costs ¹	(53,297)	(184,534)	(71.1)
Interest income	1,142	793	44.0
Other (expenses)/income ²	(49,656)	61,252	NM ³
Other trust expenses	(32,432)	(22,970)	41.2
Other administrative expenses	(37,725)	(36,109)	4.5
Net income from operations	429,352	428,334	0.2
Gain on divestment of property	45,849	5,327	>100.0
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ⁴	(144,080)	57,842	NM ³
Net fair value loss on investment properties	(69,031)	-	NM ³
Total return for the period before income tax⁵	262,090	491,503	(46.7)
Income tax ⁶	(53,328)	(49,936)	6.8
Total return for the period after income tax	208,762	441,567	(52.7)
Attributable to:			
Unitholders	204,100	435,362	(53.1)
Non-controlling interests	4,662	6,205	(24.9)
	208,762	441,567	(52.7)

Notes:

1. Finance costs comprised the following:

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(89,107)	(92,239)	(3.4)
(ii) amortisation of loan commission	(13,062)	(12,886)	1.4
(iii) guarantor fee to asset manager	(7,613)	(7,726)	(1.5)
(iv) cost of repayment	(2)	(2)	0.0
(v) foreign exchange difference from financing	56,487	(71,681)	NM ³

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

3. NM denotes not meaningful.

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

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,574)	(20,271)	1.5
(ii) unrealised fair value (loss)/gain on interest rate swap	(11,328)	14,626	NM ³
(iii) fair value (loss)/gain on forward contract	(112,178)	63,487	NM ³

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

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) write back of/(impairment on) trade receivables	496	(306)	NM ³
(ii) trade receivables written-off	(242)	(205)	18.0

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 202.4 million and JPY 201.6 million in 1Q FY2016 and 1Q FY2015 respectively.

Statement of total return (for the Group) (1Q FY2016 vs 4Q FY2015)

	1Q FY2016 (JPY'000)	4Q FY2015 (JPY'000)	Increase / (Decrease) %
Gross revenue	976,611	979,827	(0.3)
Property operating expenses	(308,872)	(319,250)	(3.3)
Net property income	667,739	660,577	1.1
Manager's management fees	(54,310)	(52,464)	3.5
Asset management fees	(8,841)	(38,317)	(76.9)
Trustee's fee	(3,268)	(3,437)	(4.9)
Finance costs ¹	(53,297)	(125,698)	(57.6)
Interest income	1,142	769	48.5
Other (expenses)/income ²	(49,656)	25,591	NM ³
Other trust expenses	(32,432)	(27,142)	19.5
Other administrative expenses	(37,725)	(34,423)	9.6
Net income from operations	429,352	405,456	5.9
Gain on divestment of property	45,849	-	NM ³
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ⁴	(144,080)	52,671	NM ³
Net fair value (loss)/gain on investment properties	(69,031)	1,373,336	NM ³
Total return for the period before income tax⁵	262,090	1,831,463	(85.7)
Income tax ⁶	(53,328)	(216,408)	(75.4)
Total return for the period after income tax	208,762	1,615,055	(87.1)
Attributable to:			
Unitholders	204,100	1,598,881	(87.2)
Non-controlling interests	4,662	16,174	(71.2)
	208,762	1,615,055	(87.1)

Notes:

1. Finance costs comprised the following:

	1Q FY2016 (JPY'000)	4Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(89,107)	(89,625)	(0.6)
(ii) amortisation of loan commission	(13,062)	(13,062)	0.0
(iii) guarantor fee to asset manager	(7,613)	(7,771)	(2.0)
(iv) cost of repayment	(2)	-	NM ³
(v) foreign exchange difference from financing	56,487	(15,240)	NM ³

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

3. NM denotes not meaningful.

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

	1Q FY2016 (JPY'000)	4Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,574)	(20,482)	0.4
(ii) unrealised fair value (loss)/gain on interest rate swap	(11,328)	11,109	NM ³
(iii) fair value (loss)/gain on forward contract and/or zero-cost collar	(112,178)	62,044	NM ³

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

	1Q FY2016 (JPY'000)	4Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) Write back of/(impairment on) trade receivables	496	(160)	NM ³
(ii) trade receivables written-off	(242)	(457)	(47.0)

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 202.4 million and JPY 199.3 million in 1Q FY2016 and 4Q FY2015 respectively.

Statement of distributable income from operations

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	204,100	435,362
Adjustments ¹	182,258	(56,492)
Adjusted return for the period	386,358	378,870
Cash deployed for loan principal repayment ²	(171,675)	(164,654)
Cash deployed for one-off borrowing costs ³	-	(30,338)
Distributable income generated during the period	214,683	183,878
Income available for distribution to Unitholders at the beginning of the period	712,967	721,077
Previous distribution paid during the period ⁴	(733,757)	(725,153)
Distributable income from operations at the end of the period	193,893	179,802
Distribution to Unitholders	NA ⁵	NA ⁵

Notes:

- Adjustments comprised mainly non-cash items, namely fair value loss/gain on forward contract, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, gain on divestment of properties and unrealised exchange differences.
- The amount deployed for loan principal repayment comprised mainly loan principal amortisation payments. While loan principal amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.

It is Saizen REIT's intention to utilise, when possible, undeployed capital cash resources (such as proceeds from new borrowings and/or warrant proceeds) to offset loan principal amortisation, thereby effectively making available cash generated from operations for distributions. The decision on such a possible use of undeployed capital cash resources will only be made when future distributions are announced.

- The amount deployed for one-off borrowing costs in 1Q FY2015 comprised one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the loans of GK Gyosei and Gyoatatsu.
- Distribution paid in 1Q FY2016 related to the distribution declared for the six-month financial period ended 30 June 2015, while distribution paid in 1Q FY2015 related to the distribution declared for the six-month financial period ended 30 June 2014.
- NA denotes not applicable.

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

1(b)(i) Balance sheet

	The Group	
	As at 30 Sep 2015 (JPY'000)	As at 30 Jun 2015 (JPY'000)
Current assets		
Cash and cash equivalents	4,623,578	5,489,450
Deposits with cash management agents	459	364
Trade and other receivables	22,798	23,280
Other current assets	59,188	57,153
Derivative financial instruments ¹	-	74,647
	<u>4,706,023</u>	<u>5,644,894</u>
Non-current assets		
Investment properties	43,244,524	43,093,100
	<u>43,244,524</u>	<u>43,093,100</u>
Total assets	<u>47,950,547</u>	<u>48,737,994</u>
Current liabilities		
Rental deposits	423,642	427,750
Rental received in advance	258,930	257,452
Borrowings	970,017	1,002,238
Other current liabilities	249,122	346,991
Current tax liabilities	122,642	174,651
Derivative financial instruments ²	30,571	-
	<u>2,054,924</u>	<u>2,209,082</u>
Non-current liabilities		
Rental deposits	30,402	32,993
Borrowings	15,850,964	16,200,876
Derivative financial instruments ³	331,721	320,392
Other non-current liabilities	61,011	61,012
Deferred tax liabilities	343,838	343,838
	<u>16,617,936</u>	<u>16,959,111</u>
Total liabilities	<u>18,672,860</u>	<u>19,168,193</u>
Total net assets	<u>29,277,687</u>	<u>29,569,801</u>
Represented by:		
Unitholders	29,126,145	29,423,120
Non-controlling Interests	151,542	146,681
	<u>29,277,687</u>	<u>29,569,801</u>
Number of Units in issue ('000)	<u>287,025</u>	<u>283,612</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>101.48</u>	<u>103.74</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 took place in September 2015 and is expected to take place in March 2016.
2. The derivative financial instruments (current liabilities) as at 30 September 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 March 2016 and September 2016.
3. The derivative financial instruments (non-current liabilities) comprised interest rate swaps used to hedge against fluctuations in interest rates.

	Saizen REIT	
	As at 30 Sep 2015 (JPY'000)	As at 30 Jun 2015 (JPY'000)
Current assets		
Cash and cash equivalents	901,824	670,046
Distribution receivables	592,315	848,622
Other receivables	876	995
Other assets	2,752	2,099
Derivative financial instrument	-	74,647
	<u>1,497,767</u>	<u>1,596,409</u>
Non-current assets		
Investment in subsidiaries	28,044,239	28,430,609
	<u>28,044,239</u>	<u>28,430,609</u>
Total assets	<u>29,542,006</u>	<u>30,027,018</u>
Current liabilities		
Borrowings ¹	335,120	363,520
Other current liabilities	76,895	74,172
Current tax liabilities	121,143	173,409
Derivative financial instrument	30,571	-
	<u>563,729</u>	<u>611,101</u>
Total liabilities	<u>563,729</u>	<u>611,101</u>
Total net assets	<u>28,978,277</u>	<u>29,415,917</u>
Represented by:		
Unitholders	<u>28,978,277</u>	<u>29,415,917</u>
Number of Units in issue ('000)	<u>287,025</u>	<u>283,612</u>
Net asset value per unit attributable to Unitholders(JPY)	<u>100.96</u>	<u>103.72</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 Sep 2015 (JPY'000)	As at 30 Jun 2015 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	970,017	1,002,238
Amount repayable after one year	15,850,964	16,200,876
	<u>16,820,981</u>	<u>17,203,114</u>

Borrowings as at 30 September 2015 were secured over investment properties valued at JPY 42.0 billion in aggregate and bank deposits of JPY 0.6 billion. The decrease in borrowings from JPY 17.2 billion as at 30 June 2015 to JPY 16.8 billion as at 30 September 2015 was due to (i) partial repayment of loan of YK Shintoku (following the sale of 1 property in 1Q FY2016); and (ii) loan principal amortisation payment.

1(c) Cash flow statement (for the Group) (1Q FY2016 vs 1Q FY2015)

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)
Operating activities		
Total return for the period after income tax	208,761	441,567
Adjustments for:		
Income tax	53,328	49,936
Interest income	(1,142)	(793)
Interest expenses	102,171	105,127
Net fair value loss/(gain) on financial derivatives	144,080	(57,842)
Net fair value loss on investment property	69,031	-
Gain on divestment of properties	(45,849)	(5,327)
Unrealised foreign exchange (gain)/loss	(28,400)	32,113
Operating profit before working capital changes	501,980	564,781
Changes in working capital		
Deposit with cash management agents	(95)	34
Trade and other receivables	472	1,618
Other current assets	(2,130)	1,245
Other current liabilities	(96,141)	(51,205)
Rental received in advance	1,478	(3,089)
Rental deposits	(6,699)	(5,760)
Cash generated from operations	398,865	507,624
Income tax paid	(1,540)	(1,145)
Withholding tax paid	(103,797)	(51,432)
Cash flows provided by operating activities	293,528	455,047
Investing activities		
Contribution from non-controlling interest	200	-
Capital expenditure/addition of investment properties	(602,455) ¹	(4,001)
Sale of investment property ²	427,849	154,327
Cash flows (used in)/provided by investing activities	(174,406)	150,326
Financing activities		
Bank borrowings obtained	-	1,190,000 ³
Repayment of bank borrowings ⁴	(366,795)	(638,712)
Distribution to Unitholders	(501,075)	(725,153)
Interest received	1,152	721
Interest paid	(90,742)	(124,101)
Net settlement of interest rate swap and forward contracts	(27,534)	8,933
Bank deposits pledged for bank borrowings	28,400	370,385 ⁵
Cash flows (used in)/provided by financing activities	(956,594)	82,073
Net (decrease)/increase in cash and cash equivalents	(837,472)	687,446
Cash and cash equivalent at beginning of the period	4,926,930	3,991,837
Cash and cash equivalent at end of the period⁶	4,089,458	4,679,283

Notes:

1. This was mainly related to the acquisition of 1 property in August 2015.
2. This was related to the sale of 1 property each in August 2015 and July 2014.
3. This was related to 2 new loans obtained in July and August 2014.
4. Repayment of bank borrowings in 1Q FY2016 comprised mainly (i) the partial repayment of loan of YK Shintoku (following the sale of a property); and (ii) loan principal amortisation payments. Repayment of bank borrowings in 1Q FY2015 comprised mainly (i) the partial repayment of loan of YK Shintoku (following the sale of a property); (ii) the partial repayment of credit facilities; and (iii) loan principal amortisation payments.
5. This was related to the bank deposits which were previously pledged as collateral for advances drawn on cash-backed credit facilities. Following the repayment of advances drawn on the credit facilities, the bank deposits had been released from such pledge.

6. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalent comprise the following:

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)
Cash and bank balances (per balance sheet)	4,623,578	5,479,492
Less: Bank deposits pledged	(534,120)	(800,209)
	<u>4,089,458</u>	<u>4,679,283</u>

Bank deposits pledged related to minimum bank balances which have to be maintained by Saizen REIT, GK Choan, GK Tosei and GK Gyotatsu under the terms of their respective loans.

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

<u>The Group</u>	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(9,684,467)	(11,299,035)
Total return for the period	204,100	435,362
Distribution to Unitholders	(733,757)	(454,153)
Balance as at end of period	<u>(10,214,124)</u>	<u>(11,317,826)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	39,107,587	39,450,445
Distribution to Unitholders ¹	-	(271,000)
Issue of new Units pursuant to the Distribution Reinvestment Plan	235,230	-
Direct issuing cost against equity	(2,548)	-
Balance as at end of period	<u>39,340,269</u>	<u>39,179,445</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>29,126,145</u>	<u>27,861,619</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	146,681	109,672
Effect on investment in TK operator	200	-
Total return for the period	4,661	6,205
Balance as at end of period	<u>151,542</u>	<u>115,877</u>
TOTAL	<u>29,277,687</u>	<u>27,977,496</u>
<u>Saizen REIT</u>		
	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(10,946,597)	(12,547,787)
Total return for the period	63,435	257,598
Distribution to Unitholders	(733,757)	(454,153)
Balance as at end of period	<u>(11,616,919)</u>	<u>(12,744,342)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	40,362,514	40,705,372
Distribution to Unitholders ¹	-	(271,000)
Issue of new Units pursuant to the Distribution Reinvestment Plan	235,230	-
Direct issuing cost against equity	(2,548)	-
Balance as at end of period	<u>40,595,196</u>	<u>40,434,372</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>28,978,277</u>	<u>27,690,030</u>

Note:

1. This was related to the utilisation of warrant proceeds to offset loan amortization for distribution purposes.

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

	1Q FY2016	1Q FY2015
	(Units)	(Units)
Issued Units as at beginning of period	283,611,720	283,611,720
Issue of new Units pursuant to the Distribution Reinvestment Plan	3,413,182	-
Issued Units as at end of period	287,024,902	283,611,720

Pursuant to the Distribution Reinvestment Plan, 3,413,182 new Units in Saizen REIT were allotted and issued on 28 September 2015 to Unitholders who had elected to participate in the Distribution Reinvestment Plan in respect of the distribution for the period from 1 January 2015 to 30 June 2015.

Unitholders approved the renewal of Saizen REIT's Unit buy-back mandate on 23 October 2015.

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$1.1 million has been used for Unit buy-backs, S\$0.3 million has been used for working capital purposes (daily operating expenses) and approximately S\$28.1 million has been deployed towards the repayment of borrowings and 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\$4.0 million have yet to be deployed.

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

These figures have neither been audited nor reviewed by our auditors.

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

Not applicable.

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

For the current reporting period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2015.

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

Not applicable.

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

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

- (a) Basic EPU
Basic EPU amounts are calculated by dividing the profit attributable to the Unitholders of the Group by the weighted average number of units in issue during the financial period.
- (b) Diluted EPU
The diluted EPU is the same as the basic EPU as no dilutive instruments were in issue during the financial period.

		<u>1Q FY2016</u>	<u>1Q FY2015</u>
Total return for the period attributable to Unitholders for basic and diluted EPU	(JPY'000)	204,100	435,362
EPU – basic and diluted	(JPY) (cents)	0.72 0.82 ¹	1.54 1.85 ²
Weighted average number of Units		283,723,019	283,611,720

Notes:

1. Based on an average exchange rate of JPY88.0/S\$ between 1 July 2015 and 30 September 2015.
2. Based on an average exchange rate of JPY83.1/S\$ between 1 July 2014 and 30 September 2014.

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

The Group

		As at 30 Sep 2015	As at 30 Jun 2015
NAV per Unit based on issued Units at the end of financial period	(JPY) (S\$)	101.48 1.21 ¹	103.74 1.14 ²

Saizen REIT

		As at 30 Sep 2015	As at 30 Jun 2015
NAV per Unit based on issued Units at the end of financial period	(JPY) (S\$)	100.96 1.20 ¹	103.72 1.14 ²

Notes:

1. Based on an exchange rate of JPY83.8/S\$ as at 30 September 2015.
2. Based on an exchange rate of JPY90.9/S\$ as at 30 June 2015.

8. Review of performance

Income statement: 1Q FY2016 vs 1Q FY2015

	1Q FY2016 ¹ (JPY'000)	1Q FY2015 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	976,611	973,613	0.3
Property operating expenses ³	(308,872)	(298,278)	3.6
Net property income	667,739	675,335	(1.1)
Asset management fees	(8,841)	(8,918)	(0.9)
Interest expenses ⁴	(109,681)	(112,510)	(2.5)
Guarantor fee to asset manager	(7,613)	(7,726)	(1.5)
Other administrative expenses	(27,935)	(29,114)	(4.0)
Net income from property operations	513,669	517,067	(0.7)
Interest income	1,142	793	44.0
Net foreign exchange gain/(loss) ⁵	6,831	(10,429)	NM ⁸
Other operating expenses ⁶	(112,864)	(99,368)	13.6
Adjustment ⁷	20,574	20,271	1.5
Net income from operations	429,352	428,334	0.2

Notes:

1. There were 136 properties at the start and at the end of 1Q FY2016.
2. There were 138 properties at the start of 1Q FY2015 and 137 properties at the end of 1Q FY2015.
3. Property operating expenses comprised the following:

	1Q FY2016 (JPY'000)	1Q FY2015 (JPY'000)	Increase / (Decrease) %
Property tax	70,709	70,630	0.1
Property manager's fees	39,548	38,374	3.1
Operation and maintenance expenses	45,714	45,832	(0.3)
Repairs and renovations	61,708	54,047	14.2
Leasing and marketing expenses	23,523	22,308	5.4
Utilities charges	40,579	40,502	0.2
Insurance expenses	10,608	10,657	(0.5)
(Write back of)/impairment on trade receivables	(496)	306	NM ⁸
Trade receivable written-off	242	205	18.0
Consumption tax arising from operations	16,737	15,417	8.6

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 the 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.
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 (loss)/gain 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 in 1Q FY2016 remained stable, increasing by 0.3%, due mainly to a year-on-year increase in occupancy rates and partially offset by the divestment of 3 properties between July 2014 and August 2015. Net property income decreased slightly by 1.1%, due to an increase in property operating expenses.

Average occupancy rates in 1Q FY2016 was 91.6% as compared to 90.1% in 1Q FY2015, while overall rental reversion of new contracts entered into in 1Q FY2016 was lower by about 2.2% (1Q FY2015: lower by about 0.7%) from previous contracted rates, due mainly to the reversion of contracts previously entered into before 2008.

Property operating expenses increased by 3.6% in 1Q FY2016, due mainly to an increase in repair and renovation expenses. Upgrading works were carried out in 1Q FY2016 on a number of properties, such as Shinko Kokura Kogane Sky Mansion, Towa Kotoni and Chalet Kishinoura, in order to enhance the competitiveness of these properties. These upgrading works were mainly in relation to exterior renovations, including waterproofing works and wall repairs.

Net income from property operations decreased slightly by 0.7% in 1Q FY2016.

Group-level operations

Net income from operations increased by 0.2% from JPY 428.3 million in 1Q FY2015 to JPY 429.4 million in 1Q FY2016, due mainly to a net foreign exchange gain recorded in 1Q FY2016, partially offset by the decrease in net income from property operations and an increase in other REIT-level operating expenses.

The net foreign exchange gain of JPY 6.8 million in 1Q FY2016 arose mainly due to the appreciation of the JPY against the S\$ during the quarter. Comparatively, a net foreign exchange loss of JPY 10.4 million was recognised in 1Q FY2015.

Other operating expenses increased by 13.6%, due mainly to the following:

- (i) the Manager's management fees increased by 2.7% or JPY 1.4 million, due mainly to the increase in fair value of investment properties pursuant to the annual valuation as at 30 June 2015;
- (ii) other trust expenses increased by 41.2%, due mainly to an increase in valuation fees. Valuation fees of JPY 14.4 million which were recognised in 1Q FY2016 comprised accruals of JPY 10.6 million and additional accruals of JPY 3.8 million for under provisions in prior periods. Comparatively, valuation fees of JPY 7.5 million which were recognised in 1Q FY2015 comprised accruals of JPY 9.7 million which were partially offset by a write-back of JPY 2.2 million for over-accruals in the previous periods; and
- (iii) an increase in REIT-level administrative expenses, due mainly to an increase in legal and professional fees incurred in relation to review of tax reporting and the implementation of the Distribution Reinvestment Plan.

Other Group-level non-operating items

The gain on divestment of property of JPY 45.8 million in 1Q FY2016 was attributable to the sale of Niken Chaya Grand Heights. Comparatively, the sale of Sun Port 6 in 1Q FY2015 recorded a gain on disposal of JPY 5.3 million.

The net fair value loss on investment properties of JPY 69.0 million in 1Q FY2016 was mainly due to acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, for the acquisition of Strasse Nanokawa in August 2015.

A fair value loss on forward contract of JPY 112.2 million was recognised in 1Q FY2016 as JPY had strengthened against the S\$ in 1Q FY2016. Comparatively, a fair value gain on forward contract of JPY 63.5 million was recognised in 1Q FY2015.

The unrealised fair value loss on interest rate swap of JPY 11.3 million in 1Q FY2016 arose mainly due to interest rate swap arrangements entered into to fix the interest rates of loans. Comparatively, an unrealised fair value gain on interest rate swap of JPY 14.6 million was recorded in 1Q FY2015.

Income statement: 1Q FY2016 vs 4Q FY2015

	1Q FY2016 ¹ (JPY'000)	4Q FY2015 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	976,611	979,827	(0.3)
Property operating expenses ³	(308,872)	(319,250)	(3.3)
Net property income	667,739	660,577	1.1
Asset management fees	(8,841)	(38,317)	(76.9)
Interest expenses ⁴	(109,681)	(110,107)	(0.4)
Guarantor fee to asset manager	(7,613)	(7,771)	(2.0)
Other administrative expenses	(27,935)	(27,241)	2.5
Net income from property operations	513,669	477,141	7.7
Interest income	1,142	769	48.5
Net foreign exchange gain ⁵	6,831	10,351	(34.0)
Other operating expenses ⁶	(112,864)	(103,287)	9.3
Adjustment ⁷	20,574	20,482	0.4
Net income from operations	429,352	405,456	5.9

Notes:

1. There were 136 properties at the start and at the end of 1Q FY2016.

2. There were 136 properties at the start and at the end of 4Q FY2015.

3. Property operating expenses comprised the following:

	1Q FY2016 (JPY'000)	4Q FY2015 (JPY'000)	Increase / (Decrease) %
Property tax	70,709	73,317	(3.6)
Property manager's fees	39,548	38,500	2.7
Operation and maintenance expenses	45,714	44,619	2.5
Repairs and renovations	61,708	64,125	(3.8)
Leasing and marketing expenses	23,523	31,712	(25.8)
Utilities charges	40,579	39,871	1.8
Insurance expenses	10,608	10,626	(0.2)
(Write back of)/impairment on trade receivables	(496)	160	NM ⁸
Trade receivables written-off	242	457	(47.0)
Consumption tax arising from operations	16,737	15,863	5.5

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

5. Net foreign exchange gain comprised mainly unrealised foreign exchange gain 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 foreign exchange differences from financing, 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 (loss)/gain 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 decreased slightly by 0.3% in 1Q FY2016 as compared with 4Q FY2015, due mainly to the effect of negative rental reversions, partially offset by an increase in average occupancy rates to 91.6% in 1Q FY2016, as compared to 91.4% in 4Q FY2015.

Property expenses decreased by 3.3% in 1Q FY2016 as compared to 4Q FY2015, due mainly to a reduction in leasing and marketing expenses, following the end of the main leasing season in April 2015.

Consequently, net property income in 1Q FY2016 increased by 1.1%.

Asset management fees (computed as 3% of the property business profits prepared under Japanese GAAP) decreased from JPY 38.3 million in 4Q FY2015 to JPY 8.8 million in 1Q FY2016, due mainly to the non-recurrence of provisions of asset management fees of JPY 30.7 million in 4Q FY2015 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 increased by 7.7% in 1Q FY2016, due mainly to the above increase in net property income and decrease in asset management fees.

Group-level operations

Net income from operations increased by 5.9% from JPY 405.5 million in 4Q FY2015 to JPY 429.4 million in 1Q FY2016, in line with the increase in net income from property operations.

The increase in other operating expenses of 9.3% in 1Q FY2016 as compared to 4Q FY2015 was mainly due to the following:

- (i) other trust expenses increased by 19.5%, mainly contributed by higher valuation fees, due to additional accruals in 1Q FY2016 for under provisions in prior periods; and
- (ii) REIT-level administrative expenses increased by 9.6% due mainly to an increase in legal and professional fees incurred in 1Q FY2016, in relation to review of tax reporting and the implementation of the Distribution Reinvestment Plan.

Other Group-level non-operating items

A fair value loss on forward contract of JPY 112.2 million was recognised in 1Q FY2016 as JPY had strengthened against the S\$ in 1Q FY2016. Comparatively, a fair value gain on forward contract of JPY 62.0 million was recognised in 4Q FY2015.

The gain on divestment of property of JPY45.8 million in 1Q FY2016 was attributable to the sale of Niken Chaya Grand Heights. No properties were divested in 4Q FY2015.

The net fair value loss on investment properties of JPY 69.0 million in 1Q FY2016 was mainly due to acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, for the acquisition of Strasse Nanokawa in August 2015. Comparatively, a net fair valuation gain on investment properties of JPY 1,373.3 million was recorded in 4Q FY2015 pursuant to the annual valuation of Saizen REIT's properties.

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

Saizen REIT has not disclosed any forecast to the market, and its results for the current financial period reported on were in line with its commentary under the section "Outlook and prospects" in the previous quarter's results announcement.

10. Outlook and prospects

The Proposed Transaction (as set out in the Introduction of this announcement and in Saizen REIT's announcement entitled "Proposed transaction in relation to Saizen REIT's entire portfolio of real estate assets in Japan" published on 31 October 2015) constitutes a "major transaction" under Chapter 10 of the Listing Manual of the SGX-ST. Accordingly, it is conditional upon, among others, approval from Unitholders at an extraordinary general meeting of Saizen REIT to be convened and is expected to be completed in the first quarter of 2016.

The Manager intends to distribute the net proceeds from the Proposed Transaction to Unitholders as soon as practicable following completion of the Proposed Transaction (“**Completion**”) via special distribution(s), after setting aside relevant fees and expenses. In the event that there is any cash remaining in Saizen REIT following Completion, Saizen REIT will be deemed as a “cash company” under the Listing Manual of the SGX-ST and will be subject to the relevant rules regulating cash companies.

The timing and details concerning the special distribution(s) proposals and the status of Saizen REIT following Completion will be set out in the circular to be issued to Unitholders for the purpose of seeking Unitholders’ approval for the Proposed Transaction. In the meantime, Unitholders are advised to exercise caution when dealing in the Units of Saizen REIT.

Hedging arrangements have been entered into to substantially hedge the net proceeds of the Proposed Transaction at an exchange rate which is broadly consistent with that set out in the announcement on the Proposed Transaction published on 31 October 2015.

Meanwhile, property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with distribution policy. Saizen REIT had previously hedged the distribution payments for the six-month financial periods ending 31 December 2015 and 30 June 2016 at average rates of JPY87.0/S\$ and JPY84.4/S\$ respectively.

11. Distributions

11(a) Current financial period

Any distributions declared for the current financial period?

No.

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

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

No.

11(c) Date payable

Not applicable.

11(d) Books closure date

Not applicable.

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

The Board does not propose to declare any distribution for 1Q FY2016.

13. Interested person transactions

Guarantor fees paid to the Asset Manager amounted to an aggregate of JPY 7.7 million (approximately S\$90,900) in 1Q FY2016.

Acquisition fee paid to the Manager for the acquisition of 1 property amounted to JPY 5.1 million (approximately S\$61,300) in 1Q FY2016

Divestment fees paid to the Manager for the sale of 1 property amounted to JPY 1.4 million (approximately S\$16,500) in 1Q FY2016.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 7.3 million (approximately S\$86,700) in 1Q FY2016.

Fees paid to the Asset Manager for rental of office premises amounted to approximately JPY 60,000 (approximately S\$800) in 1Q FY2016.

14. General mandate for interested person transactions

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

15. Confirmation by Directors pursuant to Clause 705(5) of the Listing Manual of the SGX-ST

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial results for the quarter ended 30 September 2015 to be false or misleading in any material respect.

16. Confirmation pursuant to Rule 720(1) of the Listing Manual of the SGX-ST

The Manager confirms that undertakings pursuant to Rule 720(1) have been obtained from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual of the SGX-ST.

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

11 November 2015