

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 Second Quarter Ended 31 December 2015

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INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 2.83 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 31 December 2015 (“**YTD Dec 2015**”). The distribution per Unit (“**DPU**”) for the corresponding six-month financial period ended 31 December 2014 (“**YTD Dec 2014**”) was 3.10 cents. DPU for the six-month financial period ended 30 June 2015 (“**2H FY2015**”) was 2.93 cents.

The decrease in DPU for YTD Dec 2015 was mainly due to the depreciation of the JPY against the S\$, as well as an increase in the total number of Units as a result of the application of the Distribution Reinvestment Plan to the distribution in respect of 2H FY2015 (the “**2H FY2015 Distribution**”). Additionally, an increase in repairs and renovation expenses further contributed to the decrease in DPU for YTD Dec 2015 as compared to DPU for YTD Dec 2014.

For the avoidance of doubt, the distribution in respect of YTD Dec 2015 (the “**1H FY2016 Distribution**”) is separate from and in addition to the special distribution that has been proposed for Unitholders’ approval as set out in the circular to Unitholders dated 5 February (the “**EGM Circular**”).

EGM scheduled on 1 March 2016 to seek Unitholders’ approval for the Proposed Transaction. 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\$514.1 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 (“**EGM**”) of Saizen REIT to be convened on 1 March 2016, and is expected to be completed in the first quarter of 2016. Further details are set out in the EGM Circular and in the section entitled “Outlook and prospects” of this announcement.

Gross revenue remained stable, increasing by 0.3% in the second quarter ended 31 December 2015 (“**2Q FY2016**”), as compared to the second quarter ended 31 December 2014 (“**2Q FY2015**”). This was due mainly to an increase in occupancy rates and partially offset by the divestment of 2 properties between November 2014 and August 2015. Net property income decreased slightly by 0.5%, due to higher repair and renovation expenses. Net income from property operations decreased slightly by 0.1%.

On a quarter-on-quarter basis, gross revenue increased slightly by 0.4% as compared to the preceding quarter ended 30 September 2015 (“**1Q FY2016**”), while net property income increased by 2.2% as a result of lower repair and renovation expenses, leasing and marketing expenses and consumption tax arising from operations. Net income from property operations increased by 3.1%.

The average occupancy rate of Saizen REIT’s properties was 91.2% in 2Q FY2016, as compared to 90.0% in 2Q FY2015 and 91.6% in 1Q FY2016.

Overall rental reversions of new contracts entered into in 2Q FY2016 was lower by about 1.7% (2Q FY2015 and 1Q FY2016: lower by about 0.3% and 2.2% respectively) from previous contracted rates. This was primarily attributable to the reversion of a commercial contract in Sapporo, which was rented out at a substantially lower rate after taking into consideration the prolonged vacancy of the unit since 2009. Excluding this contract, the overall rental reversions of new contracts in 2Q FY2016 would have been lower marginally by 0.6%, mainly as a result of the reversions of contracts previously entered into before 2008.

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

Summary of results

Net asset value attributable to Unitholders increased slightly from JPY 29.4 billion as at 30 June 2015 to JPY 29.5 billion as at 31 December 2015, attributable mainly to the total return of the Group in YTD Dec 2015, and partially offset by the payment of the 2H FY2015 Distribution to Unitholders in September 2015. Net asset value per Unit increased from S\$1.14 as at 30 June 2015 to S\$1.21 as at 31 December 2015, due mainly to the appreciation of the JPY against the S\$ in YTD Dec 2015 of approximately 6.8%.

The following is a summary of Saizen REIT's operating performance for 2Q FY2016, 1Q FY2016, 2Q FY2015, YTD Dec 2015, YTD Dec 2014 and 2H FY2015.

	2Q FY2016 ²	1Q FY2016 ³	2Q FY2015 ⁴
Gross revenue (S\$'000) (JPY'000)	11,357 ⁵ 980,103	11,098 ⁶ 976,611	11,050 ⁷ 976,850
Net property income (S\$'000) (JPY'000)	7,910 ⁵ 682,665	7,588 ⁶ 667,739	7,761 ⁷ 686,033
Net income from operations (S\$'000) (JPY'000)	5,002 ⁵ 431,639	4,879 ⁶ 429,352	5,091 ⁷ 450,045

	YTD Dec 2015 ⁸	2H FY2015 ⁹	YTD Dec 2014 ¹⁰
Distributable income generated during the period (S\$'000) (JPY'000)	8,328 ¹¹ 725,344	8,549 ¹² 761,709	8,461 ¹³ 725,071
Distribution (S\$'000) (JPY'000)	8,123 ¹⁴ 704,247 ¹⁵	8,310 733,757	8,792 769,737
Distribution per Unit (cents)	2.83	2.93	3.10

Notes:

1. Based on the illustrative exchange rate of JPY86.8684/S\$ as set out in the EGM Circular.
2. There were 136 properties at the start and at the end of 2Q FY2016.
3. There were 136 properties at the start and at the end of 1Q FY2016.
4. There were 137 properties at the start of 2Q FY2015 and 136 properties at the end of 2Q FY2015.
5. Based on an average exchange rate of JPY86.3/S\$ between 1 October 2015 and 31 December 2015.
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 JPY88.4/S\$ between 1 October 2014 and 31 December 2014.
8. There were 136 properties at the start and at the end of YTD Dec 2015.
9. There were 136 properties at the start and at the end of 2H FY2015.
10. There were 138 properties at the start and 136 properties at the end of YTD Dec 2014.
11. Based on an average exchange rate of JPY87.1/S\$ between 1 July 2015 and 31 December 2015.
12. Based on an average exchange rate of JPY89.1/S\$ between 1 January 2015 and 30 June 2015.
13. Based on an average exchange rate of JPY85.7/S\$ between 1 July 2014 and 31 December 2014.
14. Based on 287,024,902 Units in issue.
15. Based on an estimated hedged exchange rate of JPY86.7/S\$.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	2.83 cents per Unit
Books closure date	22 February 2016, 5.00 p.m.
Date payable	29 March 2016

For the avoidance of doubt, the 1H FY2016 Distribution is separate from and in addition to the special distribution that has been proposed for Unitholders' approval as set out in the EGM Circular.

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 31 December 2015 comprised 136 properties located in 14 cities in Japan, and was valued at approximately JPY 43.3 billion (S\$509.0 million¹).

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**").

Note:

1. Based on an exchange rate of JPY85.1/S\$ as at 31 December 2015, which is applied throughout this announcement unless stated otherwise.

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (2Q FY2016 vs 2Q FY2015)**

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)	Increase / (Decrease) %
Gross revenue	980,103	976,850	0.3
Property operating expenses	(297,438)	(290,817)	2.3
Net property income	682,665	686,033	(0.5)
Manager's management fees	(54,420)	(52,637)	3.4
Asset management fees	(7,967)	(6,554)	21.6
Trustee's fee	(3,389)	(3,470)	(2.3)
Finance costs ¹	(113,401)	(128,096)	(11.5)
Interest income	885	288	>100.0
Other income ²	14,271	30,725	(53.6)
Other trust expenses	(29,613)	(34,278)	(13.6)
Other administrative expenses	(57,392)	(41,966)	36.8
Net income from operations	431,639	450,045	(4.1)
Gain on divestment of property	-	18,020	(100.0)
Net fair value gain on financial derivatives - fair value through profit or loss ³	2,694	52,554	(94.9)
Total return for the period before income tax ⁵	434,333	520,619	(16.6)
Income tax ⁶	(57,679)	(54,763)	5.3
Total return for the period after income tax	376,654	465,856	(19.1)
Attributable to:			
Unitholders	369,405	457,322	(19.2)
Non-controlling interests	7,249	8,534	(15.1)
	376,654	465,856	(19.1)

Notes:

1. Finance costs comprised the following:

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(87,773)	(91,863)	(4.5)
(ii) amortisation of loan commission	(13,062)	(13,017)	0.3
(iii) guarantor fee to asset manager	(7,366)	(7,613)	(3.2)
(iv) cost of refinancing/repayment	-	(3)	(100.0)
(v) foreign exchange difference from financing	(5,200)	(15,600)	(66.7)

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. Fair value gain on financial derivatives comprised the following:

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,484)	(20,164)	1.6
(ii) unrealised fair value gain/(loss) on interest rate swap	9,451	(7,808)	NM*
(iii) fair value gain on forward contract and zero cost collar	13,727	80,526	(83.0)

4. N.M. denotes not meaningful

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

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	555	725	(23.4)
(ii) trade receivables written-off	(557)	(800)	(30.4)

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 202.3 million and JPY 202.1 million in 2Q FY2016 and 2Q FY2015 respectively.

Statement of total return (for the Group) (YTD Dec 2015 vs YTD Dec 2014)

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,956,715	1,950,463	0.3
Property operating expenses	(606,310)	(589,095)	2.9
Net property income	1,350,405	1,361,368	(0.8)
Manager's management fees	(108,730)	(105,513)	3.0
Asset management fees	(16,808)	(15,472)	8.6
Trustee's fee	(6,658)	(7,109)	(6.3)
Finance costs ¹	(166,698)	(312,630)	(46.7)
Interest income	2,027	1,081	87.5
Other (expenses)/income ²	(35,385)	91,976	NM ³
Other trust expenses	(62,046)	(57,247)	8.4
Other administrative expenses	(95,117)	(78,074)	21.8
Net income from operations	860,990	878,380	(2.0)
Gain on divestment of properties	45,849	23,347	96.4
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ⁴	(141,386)	110,396	NM ³
Net fair value loss on investment properties	(69,031)	-	NM ³
Total return for the period before income tax ⁵	696,422	1,012,123	(31.2)
Income tax ⁶	(111,006)	(104,700)	6.0
Total return for the period after income tax	585,416	907,423	(35.5)
Attributable to:			
Unitholders	573,505	892,684	(35.8)
Non-controlling interests	11,911	14,739	(19.2)
	585,416	907,423	(35.5)

Notes:

1. Finance costs comprised the following:

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(176,880)	(184,102)	(3.9)
(ii) amortisation of loan commission	(26,124)	(25,903)	0.9
(iii) guarantor fee to asset manager	(14,979)	(15,339)	(2.3)
(iv) cost of refinancing/repayment	(2)	(5)	(60.0)
(v) foreign exchange difference from financing	51,287	(87,281)	NM ³

2. Other (expenses)/income comprised mainly unrealised foreign exchange loss/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:

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(41,058)	(40,436)	1.5
(ii) unrealised fair value (loss)/gain on interest rate swap	(1,877)	6,818	NM ³
(iii) fair value (loss)/gain on forward contract and zero-cost collar	(98,451)	144,014	NM ³

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

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	1,050	419	>100.0
(ii) trade receivables written-off	(799)	(1,005)	(20.5)

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 404.8 million and JPY 404.2 million in YTD Dec 2015 and YTD Dec 2014 respectively.

Statement of distributable income from operations

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	573,505	892,684
Adjustments ¹	187,384	(158,514)
Adjusted return for the period	760,889	734,170
Cash deployed for loan principal repayment ²	(341,545)	(332,099)
Loan principal repayment offset by capital cash resources ³	306,000	323,000
Cash deployed for one-off borrowing costs ⁴	-	(31,057)
One-off borrowing costs offset by capital cash resources	-	31,057
Distributable income generated during the period	725,344	725,071
Income available for distribution to Unitholders at the beginning of the period	712,967	721,077
Previous distribution paid during the period ⁵	(733,757)	(725,153)
Distributable income from operations at the end of the period	704,554	720,995
Distribution to Unitholders	704,247 ⁶	769,737
Distribution per Unit (cents)	2.83	3.10

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain on forward contract and zero cost collar, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, gain on divestment of 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 amortisation in YTD Dec 2015 will be partially paid with capital cash resources, such as proceeds from new borrowings and/or warrant proceeds, rather than cash generated from operations. This is in line with Saizen REIT's intention to utilise, where possible, undeployed capital cash resources to offset loan amortisation, thereby effectively making available cash from operations for distributions. Loan principal repayment for YTD Dec 2015 was not fully offset as adjustments were made to take into account capitalised expenses which would have to be written off if the Proposed Transaction materialises.

	YTD Dec 2015	YTD Dec 2014
Portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment)	(cents) 1.23	1.39

- The amount deployed for one-off borrowing costs in YTD Dec 2014 comprised one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the loans of GK Gyosei and GK Gyoatatsu
- Distribution previously paid in YTD Dec 2015 was related to the distribution declared for the six-month financial period ended 30 June 2015, while distribution previously paid in YTD Dec 2014 was related to the distribution declared for the six-month financial period ended 30 June 2014.
- Based on 287,024,902 Units in issue and a hedged exchange rate of JPY86.7/S\$.

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

For the avoidance of doubt, the 1H FY2016 Distribution is separate from and in addition to the special distribution that has been proposed for Unitholders' approval as set out in the EGM Circular.

1(b)(i) Balance sheet

	The Group	
	As at 31 Dec 2015 (JPY'000)	As at 30 Jun 2015 (JPY'000)
Current assets		
Cash and cash equivalents	4,855,518	5,489,450
Deposits with cash management agents	364	364
Trade and other receivables	21,724	23,280
Other current assets	63,168	57,153
Derivative financial instruments ¹	4,054	74,647
	<u>4,944,828</u>	<u>5,644,894</u>
Non-current assets		
Investment properties	43,313,373	43,093,100
	<u>43,313,373</u>	<u>43,093,100</u>
Total assets	<u>48,258,201</u>	<u>48,737,994</u>
Current liabilities		
Rental deposits	416,420	427,750
Rental received in advance	263,934	257,452
Borrowings	975,399	1,002,238
Other current liabilities	300,415	346,991
Current tax liabilities	178,822	174,651
Derivative financial instruments ²	20,897	-
	<u>2,155,887</u>	<u>2,209,082</u>
Non-current liabilities		
Rental deposits	28,593	32,993
Borrowings	15,693,975	16,200,876
Derivative financial instruments ³	322,270	320,392
Other non-current liabilities	61,011	61,012
Deferred tax liabilities	343,838	343,838
	<u>16,449,687</u>	<u>16,959,111</u>
Total liabilities	<u>18,605,574</u>	<u>19,168,193</u>
Total net assets	<u>29,652,627</u>	<u>29,569,801</u>
Represented by:		
Unitholders	29,493,835	29,423,120
Non-controlling Interests	158,792	146,681
	<u>29,652,627</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>102.76</u>	<u>103.74</u>

Notes:

1. The derivative financial instruments (current assets) as at 31 December 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 be paid in September 2016.

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 payments, of which one took place in September 2015, and another is expected to take place in March 2016.

2. The derivative financial instruments (current liabilities) as at 31 December 2015 comprised a forward contract 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.

3. The derivative financial instruments (non-current liabilities) comprised interest rate swaps used to hedge against fluctuations in interest rates of loans.

	Saizen REIT	
	As at 31 Dec 2015 (JPY'000)	As at 30 Jun 2015 (JPY'000)
Current assets		
Cash and cash equivalents	811,348	670,046
Distribution receivables	874,776	848,622
Other receivables	922	995
Other assets	4,380	2,099
Derivative financial instrument	1,669	74,647
	<u>1,693,095</u>	<u>1,596,409</u>
Non-current assets		
Investment in subsidiaries	28,064,446	28,430,609
	<u>28,064,446</u>	<u>28,430,609</u>
Total assets	<u>29,757,541</u>	<u>30,027,018</u>
Current liabilities		
Borrowings ¹	340,320	363,520
Other current liabilities	81,452	74,172
Current tax liabilities	178,822	173,409
Derivative financial instrument	20,897	-
	<u>621,491</u>	<u>611,101</u>
Total liabilities	<u>621,491</u>	<u>611,101</u>
Total net assets	<u>29,136,050</u>	<u>29,415,917</u>
Represented by:		
Unitholders	<u>29,136,050</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>101.51</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 31 Dec 2015 (JPY'000)	As at 30 Jun 2015 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	975,399	1,002,238
Amount repayable after one year	15,693,975	16,200,876
	<u>16,669,374</u>	<u>17,203,114</u>

Borrowings as at 31 December 2015 were secured over the investment properties valued at JPY 42.1 billion in aggregate and bank deposits of JPY 0.3 billion. The decrease in borrowings from JPY 17.2 billion as at 30 June 2015 to JPY 16.7 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) (2Q FY2016 vs 2Q FY2015)

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)
Operating activities		
Total return for the period after income tax	376,654	465,856
Adjustments for:		
Income tax	57,679	54,763
Interest income	(885)	(288)
Interest expenses	100,835	104,883
Net fair value gain on financial derivatives	(2,694)	(52,554)
Gain on divestment of property ¹	-	(18,020)
Unrealised foreign exchange loss	5,200	5,346
Operating profit before working capital changes	536,789	559,986
Changes in working capital		
Deposit with cash management agents	95	21
Trade and other receivables	1,084	1,588
Other current assets	(5,198)	19,497
Other current liabilities	50,796	41,085
Rental received in advance	5,004	3,373
Rental deposits	(9,031)	(14,005)
Cash generated from operations	579,539	611,545
Withholding tax paid	(1,498)	(27,892)
Cash flows provided by operating activities	578,041	583,653
Investing activities		
Capital expenditure/addition of investment properties	(68,848)	(73,611)
Sale of investment property ¹	-	334,020
Cash flows (used in)/provided by investing activities	(68,848)	260,409
Financing activities		
Repayment of bank borrowings ²	(169,870)	(607,423)
Distribution to Unitholders	(1,715)	-
Interest received	875	355
Interest paid	(86,059)	(91,186)
Payment of interest rate swap	(20,484)	(20,165)
Bank deposits pledged for bank borrowings	(5,200)	238,553 ³
Cash flows used in financing activities	(282,453)	(479,866)
Net increase in cash and cash equivalents	226,740	364,196
Cash and cash equivalent at beginning of the period	4,089,458	4,679,283
Cash and cash equivalent at end of the period ⁴	4,316,198	5,043,479

Notes:

1. High Grace II was sold in 2Q FY2015.
2. Repayment of bank borrowings in 2Q 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. Repayment of bank borrowings in 2Q FY2016 comprised mainly loan principal amortisation payments.
3. 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.

4. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)
Cash and bank balances (per balance sheet)	4,855,518	5,605,135
Less: Bank deposits pledged	<u>(539,320)</u>	<u>(561,656)</u>
	<u>4,316,198</u>	<u>5,043,479</u>

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

1 (c) Cash flow statement (for the Group) (YTD Dec 2015 vs YTD Dec 2014)

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	585,416	907,423
Adjustments for:		
Income tax	111,006	104,700
Interest income	(2,027)	(1,081)
Interest expenses	203,006	210,010
Net fair value loss on financial derivatives	141,386	(110,396)
Net fair value loss on investment property	69,031	-
Gain on divestment of properties ¹	(45,849)	(23,347)
Unrealised foreign exchange loss	(23,200)	37,458
Operating profit before working capital changes	<u>1,038,769</u>	<u>1,124,767</u>
Changes in working capital		
Deposit with cash management agents	-	55
Trade and other receivables	1,556	3,205
Other current assets	(7,328)	20,743
Other current liabilities	(45,345)	(10,119)
Rental received in advance	6,482	283
Rental deposits	(15,730)	(19,766)
Cash generated from operations	<u>978,404</u>	<u>1,119,168</u>
Income tax paid	(1,540)	(1,144)
Withholding tax paid	(105,296)	(79,324)
Cash flows provided by operating activities	<u>871,568</u>	<u>1,038,700</u>
Investing activities		
Contribution from non-controlling interest	200	-
Capital expenditure/addition of investment properties	(671,303)	(77,612)
Proceeds from sale of investment properties ¹	427,849	488,347
Cash flows (used in)/provided by investing activities	<u>(243,254)</u>	<u>410,735</u>
Financing activities		
Bank borrowings obtained	-	1,190,000 ²
Repayment of bank borrowings ³	(536,665)	(1,246,135)
Distribution to Unitholders	(502,789)	(725,153)
Interest received	2,027	1,076
Interest paid	(176,801)	(215,287)
Net settlement of interest rate swap and forward contracts	(48,018)	(11,232)
Bank deposits pledged for bank borrowings	23,200	608,938 ⁴
Cash flows used in financing activities	<u>(1,239,046)</u>	<u>(397,793)</u>
Net (decrease)/increase in cash and cash equivalents	(610,732)	1,051,642
Cash and cash equivalent at beginning of the period	<u>4,926,930</u>	<u>3,991,837</u>
Cash and cash equivalent at end of the period ⁵	<u>4,316,198</u>	<u>5,043,479</u>

Notes:

1. This was related to the sale of 1 property in YTD Dec 2015 and the sale of 2 properties in YTD Dec 2014.
2. 2 loans were obtained in YTD Dec 2014.
3. Repayment of bank borrowings in YTD Dec 2015 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 YTD Dec 2014 comprised mainly (i) the partial repayment of loan of YK Shintoku (following the sales of 2 properties), (ii) the partial repayments of credit facilities, and (iii) loan principal amortisation payments.
4. 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.
5. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)
Cash and bank balances (per balance sheet)	4,855,518	5,605,135
Less: Bank deposits pledged	(539,320)	(561,656)
	4,316,198	5,043,479

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>	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(9,684,467)	(11,299,035)
Total return for the period	573,505	892,684
Distribution to Unitholders	(733,757)	(454,153)
Balance as at end of period	(9,844,719)	(10,860,504)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	39,107,587	39,450,445
Distribution to Unitholders	-	(271,000) ¹
Issue of new Units pursuant to the Distribution Reinvestment Plan	235,230	-
Direct issuing cost against equity	(4,263)	-
Balance as at end of period	39,338,554	39,179,445
TOTAL ATTRIBUTABLE TO UNITHOLDERS	29,493,835	28,318,941
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	11,911	14,739
Balance as at end of period	158,792	124,411
TOTAL	29,652,627	28,443,352

Saizen REIT	YTD Dec 2015 (JPY'000)	YTD Dec 2014 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(10,946,597)	(12,547,787)
Total return for the period	222,923	447,717
Distribution to Unitholders	(733,757)	(454,153)
Balance as at end of period	(11,457,431)	(12,554,223)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	40,362,514	40,705,372
Distribution to Unitholders	-	(271,000) ¹
Issue of new Units pursuant to the Distribution		
Reinvestment Plan	235,230	-
Direct issuing cost against equity	(4,263)	-
Balance as at end of period	40,593,481	40,434,372
TOTAL ATTRIBUTABLE TO UNITHOLDERS	29,136,050	27,880,149

Note:

1. This was related 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

	2Q FY2016 (Units)	2Q FY2015 (Units)
Issued Units as at beginning and 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 2H FY2015 Distribution.

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.

	2Q FY2016	2Q FY2015	YTD Dec 2015	YTD Dec 2014
Total return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)	369,405	457,322	573,505	892,684
EPU – basic and diluted (JPY)	1.29	1.61	2.01	3.15
(cents)	1.49 ¹	1.82 ²	2.31 ³	3.68 ⁴
Weighted average number of Units	287,024,902	283,611,720	285,373,961	283,611,720

Notes:

1. Based on an average exchange rate of JPY86.3/S\$ between 1 October 2015 and 31 December 2015.
2. Based on an average exchange rate of JPY88.4/S\$ between 1 October 2014 and 31 December 2014.
3. Based on an average exchange rate of JPY87.1/S\$ between 1 July 2015 and 31 December 2015.
4. Based on an average exchange rate of JPY85.7/S\$ between 1 July 2014 and 31 December 2014.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 31 December 2015 and 30 June 2015

The Group

	As at 31 Dec 2015	As at 30 Jun 2015
NAV per Unit based on issued Units at the end of financial period		
(JPY)	102.76	103.74
(S\$)	1.21 ¹	1.14 ²

Saizen REIT

	As at 31 Dec 2015	As at 30 Jun 2015
NAV per Unit based on issued Units at the end of financial period		
(JPY)	101.51	103.72
(S\$)	1.19 ¹	1.14 ²

Notes:

1. Based on an exchange rate of JPY85.1/S\$ as at 31 December 2015.
2. Based on an exchange rate of JPY90.9/S\$ as at 30 June 2015.

8. Review of performance

Income statement: 2Q FY2016 vs 2Q FY2015

	2Q FY2016 ¹ (JPY'000)	2Q FY2015 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	980,103	976,850	0.3
Property operating expenses ³	(297,438)	(290,817)	2.3
Net property income	682,665	686,033	(0.5)
Asset management fees	(7,967)	(6,554)	21.6
Interest expenses ⁴	(108,257)	(112,027)	(3.4)
Guarantor fee to asset manager	(7,366)	(7,613)	(3.2)
Other administrative expenses	(29,387)	(29,483)	(0.3)
Net income from property operations	529,688	530,356	(0.1)
Interest income	885	288	>100.0
Net foreign exchange gain ⁵	9,071	15,125	(40.0)
Other operating expenses ⁶	(128,489)	(115,888)	10.9
Adjustment ⁷	20,484	20,164	1.6
Net income from operations	431,639	450,045	(4.1)

Notes:

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

	2Q FY2016 (JPY'000)	2Q FY2015 (JPY'000)	Increase / (Decrease) %
Property tax	70,812	70,376	0.6
Property manager's fees	39,358	38,384	2.5
Operation and maintenance expenses	44,652	44,798	(0.3)
Repairs and renovations	56,639	51,949	9.0
Leasing and marketing expenses	20,930	21,030	(0.5)
Utilities charges	40,061	40,291	(0.6)
Insurance expenses	10,931	10,670	2.4
Write back of impairment on trade receivables	(555)	(725)	(23.4)
Bad debt written-off	557	799	(30.3)
Consumption tax arising from operations	14,053	13,245	6.1

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 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 in 2Q 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 2 properties between November 2014 and August 2015. Net property income decreased slightly by 0.5%, due to an increase in property operating expenses.

Average occupancy rates in 2Q FY2016 was 91.2% as compared to 90.0% in 2Q FY2015, while overall rental reversions of new contracts entered into in 2Q FY2016 was lower by

about 1.7% (2Q FY2015: lower by about 0.3%) from previous contracted rates, primarily attributable to the reversion of a commercial contract in Sapporo which was rented out at a substantially lower rate after taking into consideration the prolonged vacancy of the unit since 2009. Excluding this contract, the overall rental reversions of new contracts in 2Q FY2016 would have been lower marginally by 0.6%, mainly as a result of the reversions of contracts previously entered into before 2008.

Property operating expenses increased by 2.3% in 2Q FY2016, due mainly to an increase in repair and renovation expenses. Upgrading works were carried out in 2Q FY2016 on a number of properties, such as Alte Heim Kokura II, Urban Hills Dainohara and Relief Ohorinishi. These upgrading works were mainly in relation to exterior renovations, including waterproofing works and wall repairs.

Net income from property operations decreased slightly by 0.1% in 2Q FY2016.

Group-level operations

Net income from operations decreased by 4.1% from JPY 450.0 million in 2Q FY2015 to JPY 431.6 million in 2Q FY2016, due mainly to an increase in REIT-level operating expenses, partially offset by a lower foreign exchange gain recorded in 2Q FY2016.

Net foreign exchange gains of JPY 9.1 million and JPY 15.1 million were recorded in 2Q FY2016 and 2Q FY2015 respectively, due mainly to the appreciation of the JPY against the S\$ during the respective periods.

Other operating expenses increased by JPY 12.6 million or 10.9%, due mainly to the following:

- (i) an increase in the Manager's management fees of JPY 1.8 million, due mainly to the increase in fair value of investment properties pursuant to the annual valuation as at 30 June 2015;
- (ii) an increase in REIT-level administrative expenses of JPY 15.5 million, due mainly to legal and professional fees incurred in relation to the Proposed Transaction, as well as fees incurred in relation to the application of the Distribution Reinvestment Plan to the 2H FY2015 Distribution; and
- (iii) partially offset by a decrease in other trust expenses of JPY 4.7 million, due mainly to a decrease in audit fees, as the audit fees recognised in 2Q FY2015 comprised accruals for under-provisions in prior periods.

Other Group-level non-operating items

A gain on divestment of property of JPY 18.0 million was recorded in 2Q FY2015, arising from the sale of High Grace II. Comparatively, no properties were divested in 2Q FY2016.

Fair value gains on forward contract of JPY 13.7 million and JPY 80.5 million were recognised in 2Q FY2016 and 2Q FY2015 respectively, as JPY had weakened against the S\$ during the respective periods.

The unrealised fair value gain on interest rate swap of JPY 9.4 million in 2Q FY2016 arose mainly due to interest rate swap arrangements entered into to fix the interest rates of loans. Comparatively, an unrealised fair value loss on interest rate swap of JPY 7.8 million was recorded in 2Q FY2015.

Income statement: 2Q FY2016 vs 1Q FY2016

	2Q FY2016 ¹ (JPY'000)	1Q FY2016 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	980,103	976,611	0.4
Property operating expenses ³	(297,438)	(308,872)	(3.7)
Net property income	682,665	667,739	2.2
Asset management fees	(7,967)	(8,841)	(9.9)
Interest expenses ⁴	(108,257)	(109,681)	(1.3)
Guarantor fee to asset manager	(7,366)	(7,613)	(3.2)
Other administrative expenses	(29,387)	(27,935)	5.2
Net income from property operations	529,688	513,669	3.1
Interest income	885	1,142	(22.5)
Net foreign exchange gain ⁵	9,071	6,831	32.8
Other operating expenses ⁶	(128,489)	(112,864)	13.8
Adjustment ⁷	20,484	20,574	(0.4)
Net income from operations	431,639	429,352	0.5

Notes:

1. There were 136 properties at the start and at the end of 2Q FY2016.

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

3. Property operating expenses comprised the following:

	2Q FY2016 (JPY'000)	1Q FY2016 (JPY'000)	Increase / (Decrease) %
Property tax	70,812	70,709	0.1
Property manager's fees	39,358	39,548	(0.5)
Operation and maintenance expenses	44,652	45,714	(2.3)
Repairs and renovations	56,639	61,708	(8.2)
Leasing and marketing expenses	20,930	23,523	(11.0)
Utilities charges	40,061	40,579	(1.3)
Insurance expenses	10,931	10,608	3.0
(Write back)/impairment of impairment on trade receivables	(555)	(496)	11.9
Bad debt written-off	557	242	>100.0
Consumption tax arising from operations	14,053	16,737	(16.0)

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 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 remained stable, increasing slightly by 0.4% in 2Q FY2016 as compared with 1Q FY2016.

Property operating expenses decreased by 3.7% in 2Q FY2016 as compared to 1Q FY2016, due mainly to lower repair and renovation expenses, leasing and marketing expenses and consumption tax arising from operations.

Consequently, net property income in 2Q FY2016 increased by 2.2%.

Net income from property operations increased by 3.1% in 2Q FY2016, due mainly to the above increase in net property income as well as a decrease in interest expenses.

Group-level operations

Net income from operations increased by 0.5% from JPY 429.4 million in 1Q FY2016 to JPY 431.6 million in 2Q FY2016. This was mainly due to the increase in net income from property operations, partially offset by an increase in other operating expenses.

The increase in other operating expenses of JPY 15.6 million or 13.8% in 2Q FY2016 as compared to 1Q FY2016 was mainly due to the following:

- (i) an increase in REIT-level administrative expenses of JPY 18.2 million, due mainly to legal and professional fees incurred in 2Q FY2016 in relation to the Proposed Transaction, as well as fees incurred in relation to the application of the Distribution Reinvestment Plan to the 2H FY2015 Distribution; and
- (ii) partially offset by a decrease in other trust expenses of JPY 2.8 million, due to lower valuation fees in 2Q FY2016. Valuation fees recognised in 1Q FY2016 included additional accruals of JPY 3.8 million for under-accruals in prior periods.

Other Group-level non-operating items

A fair value gain on forward contract of JPY 13.7 million was recognised in 2Q FY2016 as JPY had weakened against the S\$ in 2Q FY2016. Comparatively, a fair value loss on forward contract of JPY 112.2 million was recognised in 1Q FY2016.

Unrealised fair value gain on interest rate swap of JPY 9.4 million in 2Q FY2016 arose mainly due to interest rate swap arrangements entered into to fix the interest rates of loans. Comparatively, an unrealised fair value loss on interest rate swap of JPY 11.3 million was recorded in 1Q FY2016.

The gain on divestment of property of JPY 45.8 million in 1Q FY2016 was attributable to the sale of Niken Chaya Grand Heights. No properties were divested in 2Q FY2016.

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. No fair valuation gains or losses on investment properties were recorded in 2Q FY2016.

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 Bank of Japan announced on 29 January 2016 a cut in interest rates to below zero in a bid to pre-empt deflationary risk by encouraging bank lending, and in turn, increase spending and investment.

Meanwhile, property operations are expected to remain stable.

Proposed Transaction

The Manager is convening an EGM on 1 March 2016 to seek the approval from Unitholders by way of the following resolutions:

- (a) Resolution 1: the Proposed Transaction for the disposal of Saizen REIT's entire portfolio of real estate assets in Japan to Triangle TMK;
- (b) Resolution 2: subject to the passing of Resolution 1, the proposed special distribution of S\$1.056 per Unit to Unitholders out of the cash balance of Saizen REIT after the completion of the Proposed Transaction; and
- (c) Resolution 3: subject to the passing of Resolution 1, the proposed supplemental payment of S\$1.2 million payable to the Manager following completion of the Proposed Transaction, and the corresponding amendment to the Trust Deed by way of supplemental deed of trust.

Further details on the above resolutions are set out in the EGM Circular to Unitholders dated 5 February 2016. Unitholders are advised to read the EGM Circular carefully and to exercise caution when dealing in the Units.

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 31 December 2015
Distribution type	Tax-exempt income
Distribution rate	2.83 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. There is no distribution in respect of such income for YTD Dec 2015.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for YTD Dec 2015.</p>

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

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 31 December 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 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. There is no distribution in respect of such income for YTD Dec 2014.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for YTD Dec 2014.</p>

11(c) Date payable

29 March 2016

11(d) Books closure date

22 February 2016, 5.00 p.m.

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

Not applicable.

13. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 7.4 million (S\$0.1 million) were paid to the Asset Manager in 2Q FY2016.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 7.4 million (S\$0.1 million) in 2Q FY2016.

Fees paid to the Asset Manager for rental of office premises amounted to approximately JPY 60,000 (approximately S\$800) in 2Q 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 31 December 2015 to be false or misleading in any material respect.

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

Joey Goh (Mr)
Executive Director and Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

11 February 2016