

## 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 Third Quarter Ended 31 March 2016

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## **INTRODUCTION**

**Completion of disposal of portfolio.** On 4 March 2016, Saizen Real Estate Investment Trust (“**Saizen REIT**”) completed the disposal of its entire portfolio of real estate assets to Triangle TMK (the “**Disposal**”) <sup>1</sup>, following the receipt of Unitholders’ approval at the extraordinary general meeting held on 1 March 2016 (the “**EGM**”). Saizen REIT is currently a cash trust, with no operating business following the Disposal.

Following the payment of a substantial amount of the proceeds from the Disposal to Unitholders via a special distribution of S\$1.056 per Unit, the net asset value of Saizen REIT as at 31 March 2016 was S\$0.11 per Unit. The manager of Saizen REIT, Japan Residential Assets Manager Limited (the “**Manager**”), will provide monthly updates on the net asset value of Saizen REIT, which will be impacted by, among others, the ongoing utilisation of cash for operations.

Unitholders should note that Saizen REIT’s financial results for the third quarter ended 31 March 2016 (“**3Q FY2016**”) and for the nine-month financial period ended 31 March 2016 (“**YTD Mar 2016**”) do not offer a like-for-like comparison with prior periods due to a shorter period of property operations and Disposal-related expenses and adjustments. In particular, Disposal-related expenses and adjustments comprised mainly professional fees, finance costs relating to the early repayment of loans and cancellation of interest rate swap arrangements, amounts payable to the Manager, claims for remediation works, and accounting adjustments to accruals, capitalised expenditures and non-controlling interests.

Property operations had remained relatively stable from 1 January 2016 to 3 March 2016. Average occupancy rates during this shortened period was 91.3% as compared to 90.9% in the third quarter ended 31 March 2015 (“**3Q FY2015**”) and 91.2% in the preceding second quarter ended 31 December 2015 (“**2Q FY2016**”). Overall rental reversions of new contracts entered into during this shortened period were lower by about 1.8% (3Q FY2015 and 2Q FY2016: lower by about 0.8% and 1.7% respectively) from previous contracted rates, primarily attributable to reversions of contracts previously entered into before 2008 and challenging market conditions in cities such as Kitakyushu and Niigata.

**Post-Disposal plans for Saizen REIT.** While the Manager remains open to consider various options available to Saizen REIT, it has not received any concrete or material proposals in respect of post-transaction plans for Saizen REIT to-date. The Manager intends to terminate Saizen REIT upon expiry of the liability claim period (being up to four months after completion of the Disposal) if there are no suitable options available to Saizen REIT, and to make a final distribution to Unitholders.

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

### **Summary of results**

**Net asset value attributable to Unitholders decreased** from JPY 29.4 billion as at 30 June 2015 to JPY 2.6 billion as at 31 March 2016, due mainly to the special distribution of S\$1.056 per Unit paid in March 2016 out of the net proceeds from the Disposal.

In S\$ terms, net asset value per Unit decreased from S\$1.14 as at 30 June 2015 to S\$0.11 as at 31 March 2016.

Unitholders should note that, in accordance to Rule 1018(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), Saizen REIT provides a monthly update on its net asset value and the utilisation of its cash holdings, via an announcement on the websites of Saizen REIT ([www.saizenreit.com.sg](http://www.saizenreit.com.sg)) and the Singapore Exchange ([www.sgx.com](http://www.sgx.com)).

The following is a summary of Saizen REIT's operating performance for 3Q FY2016, 2Q FY2016 and 3Q FY2015.

	3Q FY2016 <sup>2</sup>	2Q FY2016 <sup>3</sup>	3Q FY2015 <sup>4</sup>
<b>Gross revenue</b>			
(S\$'000)	8,542 <sup>5</sup>	11,357 <sup>6</sup>	11,030 <sup>7</sup>
(JPY'000)	702,187	980,103	969,537
<b>Net property income</b>			
(S\$'000)	5,469 <sup>5</sup>	7,910 <sup>6</sup>	7,419 <sup>7</sup>
(JPY'000)	449,531	682,665	652,110
<b>Net (loss)/income from operations</b>			
(S\$'000)	(8,880) <sup>5</sup>	5,002 <sup>6</sup>	4,643 <sup>7</sup>
(JPY'000)	(729,934)	431,639	408,089

**Notes:**

1. Please refer to the circular to Unitholders dated 5 February 2016, as well as Saizen REIT's announcements dated 31 October 2015, 26 February 2016, 3 March 2016, 4 March 2016 and 1 April 2016, for further details on the Disposal.
2. There were 136 properties at the start of 3Q FY2016. Following the completion of the Disposal on 4 March 2016, Saizen REIT did not hold any properties at the end of 3Q FY2016.
3. There were 136 properties at the start and at the end of 2Q FY2016.
4. There were 136 properties at the start and at the end of 3Q FY2015.
5. Based on an average exchange rate of JPY82.2/S\$ between 1 January 2016 and 31 March 2016.
6. Based on an average exchange rate of JPY86.3/S\$ between 1 October 2015 and 31 December 2015.
7. Based on an average exchange rate of JPY87.9/S\$ between 1 January 2015 and 31 March 2015.

**Background of Saizen REIT**

Saizen REIT, listed on the SGX-ST on 9 November 2007, was the first REIT listed in Singapore offering exclusive access to Japanese residential real estate, with the principal investment objective of investing 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.

On 4 March 2016, Saizen REIT completed the Disposal of its entire portfolio of real estate assets (comprising 136 properties). Saizen REIT currently exists as a cash trust.

**INFORMATION REQUIRED FOR ANNOUNCEMENTS****1(a) Statement of total return (for the Group) (3Q FY2016 vs 3Q FY2015)**

	<b>3Q FY2016</b> <b>(JPY'000)</b>	<b>3Q FY2015</b> <b>(JPY'000)</b>	Increase / (Decrease) %
<b>Gross revenue</b>	702,187	969,537	(27.6)
Property operating expenses	(252,656)	(317,427)	(20.4)
<b>Net property income</b>	449,531	652,110	(31.1)
Manager's management fees	(151,863)	(51,277)	>100.0
Asset management fees	58,306	(8,207)	NM <sup>1</sup>
Trustee's fee	(2,832)	(3,231)	(12.3)
Finance costs <sup>2</sup>	(1,060,862)	(92,851)	>100.0
Interest income	1,196	743	61.0
Other expenses <sup>3</sup>	(6,757)	(25,973)	(74.0)
Other trust income/(expenses)	2,135	(27,333)	NM <sup>1</sup>
Other administrative expenses	(18,788)	(35,892)	(47.7)
<b>Net (loss)/income from operations</b>	(729,934)	408,089	NM <sup>1</sup>
Loss on divestment of properties	-	(24,587)	(100.0)
Net fair value loss on financial derivatives			
- fair value through profit or loss <sup>4</sup>	(1,181,162)	(35,765)	>100.0
Net fair value loss on investment properties	-	(5,648)	(100.0)
Gain on disposal of TK investment <sup>5</sup>	417,339	-	NM <sup>1</sup>
<b>Total (loss)/return for the period before income tax <sup>6</sup></b>	(1,493,757)	342,089	NM <sup>1</sup>
Income tax credit/(expense) <sup>7</sup>	339,563	(60,968)	NM <sup>1</sup>
<b>Total (loss)/return for the period after income tax</b>	(1,154,194)	281,121	NM <sup>1</sup>
<b>Attributable to:</b>			
Unitholders	(1,233,083)	275,035	NM <sup>1</sup>
Non-controlling interests	78,889	6,086	>100.0
	(1,154,194)	281,121	NM <sup>1</sup>

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprised the following:

	<b>3Q FY2016</b> <b>(JPY'000)</b>	<b>3Q FY2015</b> <b>(JPY'000)</b>	Increase / (Decrease) %
(i) interest expenses	(51,799)	(88,060)	(41.2)
(ii) amortisation of loan commission	(339,209)	(13,010)	>100.0
(iii) guarantor fee to asset manager	(4,975)	(7,476)	(33.5)
(iv) cost of repayment	(669,914)	-	NM <sup>1</sup>
(v) foreign exchange difference from financing	5,035	15,695	(67.9)

3. Other expenses comprised mainly unrealised foreign exchange losses on the translation of S\$-denominated bank balances to JPY for the preparation of the Group's financial statements.

4. Net fair value loss on financial derivatives comprised the following:

	<b>3Q FY2016</b> <b>(JPY'000)</b>	<b>3Q FY2015</b> <b>(JPY'000)</b>	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(12,299)	(20,201)	(39.1)
(ii) fair value gain on interest rate swap	322,269	39,024	>100.0
(iii) fair value loss on forward contract	(1,491,132)	(54,588)	>100.0

5. The gain on Disposal recorded in 3Q FY2016 takes into account, among others, Disposal-related expenses (mainly including legal and professional fees and divestment fees).

6. The Group's total (loss)/return before income tax was arrived at after charging the following:

	<b>3Q FY2016</b> <b>(JPY'000)</b>	<b>3Q FY2015</b> <b>(JPY'000)</b>	Increase / (Decrease) %
(i) Write back/ (impairment) on trade receivables	4,596	(248)	NM <sup>1</sup>
(ii) trade receivables written-off	(98)	(252)	(61.1)

7. Income tax comprised the imputed 20.42% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. The income tax credit in 3Q FY2016 arose due to a JPY 343.8 million write-back of deferred tax liabilities in connection with the Disposal.

## Statement of total return (for the Group) (YTD Mar 2016 vs YTD Mar 2015)

	YTD Mar 2016 (JPY'000)	YTD Mar 2015 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	2,658,901	2,920,000	(8.9)
Property operating expenses	(858,966)	(906,522)	(5.2)
<b>Net property income</b>	1,799,935	2,013,478	(10.6)
Manager's management fees	(260,593)	(156,790)	66.2
Asset management fees	41,498	(23,679)	NM <sup>1</sup>
Trustee's fee	(9,490)	(10,340)	(8.2)
Finance costs <sup>2</sup>	(1,227,560)	(405,482)	>100.0
Interest income	3,223	1,824	76.7
Other trust expenses	(59,911)	(84,580)	(29.2)
Other (expenses)/income <sup>3</sup>	(42,142)	66,004	NM <sup>1</sup>
Other administrative expenses	(113,904)	(113,967)	(0.1)
<b>Net income from operations</b>	131,056	1,286,468	(89.8)
Gain/(Loss) on divestment of properties	45,849	(1,240)	NM <sup>1</sup>
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss <sup>4</sup>	(1,322,548)	74,631	NM <sup>1</sup>
Net fair value loss on investment properties <sup>5</sup>	(69,031)	(5,648)	>100.0
Gain on disposal of TK investment <sup>6</sup>	417,339	-	NM <sup>1</sup>
<b>Total (loss)/return for the period before income tax <sup>7</sup></b>	(797,335)	1,354,211	NM <sup>1</sup>
Income tax credit/(expense) <sup>8</sup>	228,557	(165,667)	NM <sup>1</sup>
<b>Total (loss)/return for the period after income tax</b>	(568,778)	1,188,544	NM <sup>1</sup>
<b>Attributable to:</b>			
Unitholders	(659,577)	1,167,719	NM <sup>1</sup>
Non-controlling interests	90,799	20,825	>100.0
	(568,778)	1,188,544	NM <sup>1</sup>

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprised the following:

	YTD Mar 2016 (JPY'000)	YTD Mar 2015 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(228,678)	(272,163)	(16.0)
(ii) amortisation of loan commission	(365,333)	(38,913)	>100.0
(iii) guarantor fee to asset manager	(19,955)	(22,815)	(12.5)
(iv) cost of repayment	(669,917)	(5)	>100.0
(v) foreign exchange difference from financing	56,323	(71,586)	NM <sup>1</sup>

3. 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's financial statements.

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

	YTD Mar 2016 (JPY'000)	YTD Mar 2015 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(53,358)	(60,637)	(12.0)
(ii) fair value gain on interest rate swap	320,393	45,842	>100.0
(iii) fair value (loss)/gain on forward contract and zero cost collar	(1,589,583)	89,426	NM <sup>1</sup>

5. Net fair value loss on investment properties comprised transaction expenses relating to property acquisitions.

6. The gain on Disposal recorded in YTD Mar 2016 takes into account, among others, Disposal-related expenses (mainly including legal and professional fees and divestment fees).

7. The Group's total (loss)/return before income tax was arrived at after charging the following:

	YTD Mar 2016 (JPY'000)	YTD Mar 2015 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	5,647	171	>100.0
(ii) trade receivables written-off	(897)	(1,257)	(28.6)

8. Income tax comprised the imputed 20.42% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. The income tax credit in YTD Mar 2016 arose due to a JPY 343.8 million write-back of deferred tax liabilities in connection with the Disposal.

**Statement of distributable income from operations**

	<b>3Q FY2016</b>	<b>3Q FY2015</b>
	<b>(JPY'000)</b>	<b>(JPY'000)</b>
Total (loss)/return for the period after income tax before distribution attributable to Unitholders	(1,233,083)	275,035
Adjustments <sup>1</sup>	(143,486)	126,157
Adjusted (loss)/return for the period	(1,376,569)	401,192
Cash deployed for loan principal repayment <sup>2</sup>	(83,068)	(171,186)
Cash deployed for one-off borrowing costs	-	(4,918) <sup>3</sup>
(Loss)/income generated during the period after adjusting for loan principal repayment and one-off borrowing costs	(1,456,637)	225,088
Income available for distribution to Unitholders at the beginning of the period	704,554	720,995
Previous income distribution paid during the period <sup>4</sup>	(662,658)	(769,737)
(Adjusted loss)/distributable income from operations at the end of the period	(1,417,741) <sup>5</sup>	176,346
Distribution to Unitholders	NA <sup>6</sup>	NA <sup>6</sup>

**Final Distribution to Unitholders**

Unitholders should note that in the context of a cash trust, the net asset value of Saizen REIT is indicative of the amount available for distribution to Unitholders upon its liquidation. The net asset value of Saizen REIT, which was S\$0.11 per Unit as at 31 March 2016, is expected to decrease after taking into account the ongoing utilisation of cash for operations up to the termination and liquidation of Saizen REIT (if there are no suitable options available to Saizen REIT). The Manager will provide monthly updates on the net asset value of Saizen REIT and the utilisation of cash in accordance with Rule 1018 of the Listing Manual of the SGX-ST.

**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, loss on divestment of properties, net fair value loss on investment properties and unrealised foreign exchange differences. Adjustments for 3Q FY2016 also included the gain on Disposal and fair value adjustments in connection with the Disposal (including adjustments relating to deferred tax liabilities, provisions for expenses and non-controlling interests).
- The amount deployed for loan principal repayment comprised mainly loan principal amortisation payments. In connection with the Disposal, all loans of the TK operators were fully repaid in 3Q FY2016.
- The amount deployed for one-off borrowing costs in 3Q FY2015 comprised one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the loan of GK Togen.
- Distribution previously paid in 3Q FY2016 was related to the distribution declared for the six-month financial period ended 31 December 2015 while distribution previously paid in 3Q FY2015 was related to the distribution declared for the six-month financial period ended 31 December 2014.
- Adjusted loss was mainly attributable to finance cost relating to early repayment of loans and cancellation of interest rate swap arrangements, as well as realised foreign exchange losses.
- NA denotes not applicable.

**1(b)(i) Balance sheet**

Following the completion of the Disposal on 4 March 2016, Saizen REIT does not have any subsidiaries or investments, and balance sheet items relating to property operations in Japan ceased to apply after the Disposal. The balance sheets of the Group and of Saizen REIT as at 31 March 2016 reflect solely the REIT-level financial position of Saizen REIT.

	<b>The Group</b>	
	<b>As at 31 Mar 2016 (JPY'000)</b>	<b>As at 30 Jun 2015 (JPY'000)</b>
<b>Current assets</b>		
Cash and cash equivalents	3,112,070	5,489,450
Deposits with cash management agents	-	364
Trade and other receivables	28,378	23,280
Other current assets	3,147	57,153
Derivative financial instruments	-	74,647 <sup>1</sup>
	<u>3,143,595</u>	<u>5,644,894</u>
<b>Non-current assets</b>		
Investment properties	-	43,093,100
	-	<u>43,093,100</u>
<b>Total assets</b>	<u>3,143,595</u>	<u>48,737,994</u>
<b>Current liabilities</b>		
Rental deposits	-	427,750
Rental received in advance	-	257,452
Borrowings	-	1,002,238
Other current liabilities	495,792 <sup>2</sup>	346,991
Current tax liabilities	-	174,651
Derivative financial instruments	608 <sup>3</sup>	-
	<u>496,400</u>	<u>2,209,082</u>
<b>Non-current liabilities</b>		
Rental deposits	-	32,993
Borrowings	-	16,200,876
Derivative financial instruments	-	320,392
Other non-current liabilities	-	61,012
Deferred tax liabilities	-	343,838
	-	<u>16,959,111</u>
<b>Total liabilities</b>	<u>496,400</u>	<u>19,168,193</u>
<b>Total net assets</b>	<u>2,647,195</u>	<u>29,569,801</u>
<b>Represented by:</b>		
Unitholders	2,647,195	29,423,120
Non-controlling Interests	-	146,681
	<u>2,647,195</u>	<u>29,569,801</u>
<b>Number of Units in issue ('000)</b>	<u>287,025</u>	<u>283,612</u>
<b>Net asset value per Unit attributable to Unitholders (JPY)</b>	<u>9.22</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 payments which took place in September 2015 and March 2016.
2. Other current liabilities as at 31 March 2016 relate mainly to accruals for Disposal-related and operating expenses.
3. The derivative financial instruments (current liabilities) as at 31 March 2016 comprised a forward contract entered into prior to the Disposal, to partially hedge the JPY-S\$ exchange rate of Saizen REIT's distribution payment expected to take place in September 2016.

	<b>Saizen REIT</b>	
	<b>As at 31 Mar 2016 (JPY'000)</b>	<b>As at 30 Jun 2015 (JPY'000)</b>
<b>Current assets</b>		
Cash and cash equivalents	3,112,070	670,046
Distribution receivables	-	848,622
Other receivables	28,378	995
Prepayments	3,147	2,099
Derivative financial instrument	-	74,647
	<u>3,143,595</u>	<u>1,596,409</u>
<b>Non-current assets</b>		
Investment in subsidiaries	-	28,430,609
	-	<u>28,430,609</u>
<b>Total assets</b>	<u>3,143,595</u>	<u>30,027,018</u>
<b>Current liabilities</b>		
Borrowings	-	363,520
Other current liabilities	495,792	74,172
Current tax liabilities	-	173,409
Derivative financial instrument	608	-
	<u>496,400</u>	<u>611,101</u>
<b>Total liabilities</b>	<u>496,400</u>	<u>611,101</u>
<b>Total net assets</b>	<u>2,647,195</u>	<u>29,415,917</u>
<b>Represented by:</b>		
Unitholders	<u>2,647,195</u>	<u>29,415,917</u>
<b>Number of Units in issue ('000)</b>	<u>287,025</u>	<u>283,612</u>
<b>Net asset value per Unit attributable to Unitholders (JPY)</b>	<u>9.22</u>	<u>103.72</u>

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

	<b>As at 31 Mar 2016 (JPY'000)</b>	<b>As at 30 Jun 2015 (JPY'000)</b>
<b>Secured borrowings – Bank loans</b>		
Amount repayable in one year or less	-	1,002,238
Amount repayable after one year	-	16,200,876
	<u>-</u>	<u>17,203,114</u>

Saizen REIT had no borrowings as at 31 March 2016.

All loans of the TK operators were fully repaid on 4 March 2016 in connection with the Disposal, while advances which had been drawn down by Saizen REIT under cash-backed credit facilities were fully repaid upon maturity on 28 March 2016.

## 1(c) Cash flow statement (for the Group) (3Q FY2016 vs 3Q FY2015)

	3Q FY2016 (JPY'000)	3Q FY2015 (JPY'000)
<b>Operating activities</b>		
Total (loss)/return for the period after income tax	(1,154,194)	281,121
Adjustments for:		
Income tax (credit)/expense	(339,563)	60,968
Loss on divestment of properties	-	24,587
Gain on sale of TK investment	(417,339)	-
Interest income	(1,196)	(743)
Interest expenses and finance costs	1,060,922 <sup>1</sup>	101,070
Net fair value loss on financial derivatives	1,181,162 <sup>2</sup>	35,765
Net fair value loss on investment properties	-	5,648
Unrealised foreign exchange loss/(gain)	23,200	(14,376)
Operating profit before working capital changes	352,992	494,040
<b>Changes in working capital</b> <sup>3</sup>		
Deposit with cash management agents	364	56
Trade and other receivables	(6,692)	(3,649)
Other current assets	57,204	(25,683)
Other current liabilities	217,392	69,358
Other liabilities – provision for asset manager's fees	(61,011)	-
Rental received in advance	(263,934)	2,215
Rental deposits	(445,014)	9,053
Cash generated from operations	(148,699)	545,390
Withholding tax paid	(183,096)	(82,282)
<b>Cash flows (used in)/provided by operating activities</b>	(331,795)	463,108
<b>Investing activities</b>		
Net cash effect on acquisition of subsidiary	-	10
Capital expenditure/addition of investment properties	(77,405)	(35,555)
Sale of TK investment	43,570,437 <sup>4</sup>	-
Expenditure on transfer of properties between subsidiaries	-	(24,587)
<b>Cash flows provided by/(used in) investing activities</b>	43,493,032	(60,132)
<b>Financing activities</b>		
Bank borrowings obtained	-	260,000
Repayment of bank borrowings	(17,031,782) <sup>5</sup>	(171,186)
Distribution to Unitholders <sup>6</sup>	(25,613,559)	(769,737)
Interest received	1,234	714
Interest paid and finance costs	(740,911) <sup>1</sup>	(94,908)
Net settlement of interest rate swaps and forward contracts	(1,519,667) <sup>2</sup>	24,079
Bank deposits pledged for bank borrowings	539,320 <sup>7</sup>	14,376
<b>Cash flows used in financing activities</b>	(44,365,365)	(736,662)
Net decrease in cash and cash equivalents	(1,204,128)	(333,686)
Cash and cash equivalents at beginning of the period	4,316,198	5,043,479
<b>Cash and cash equivalents at end of the period</b> <sup>8</sup>	3,112,070	4,709,793

**Notes:**

1. This included finance costs related to the early repayment of loans and cancellation of interest rate swap arrangements, in connection with the Disposal in 3Q FY2016.
2. This included a foreign exchange loss on a forward contract which had been entered into (as announced on 3 November 2015) to hedge the JPY-S\$ exchange rate of a substantial portion of Saizen REIT's post-Disposal cash balance.

3. Changes to working capital in 3Q FY2016 reflected predominantly the effects of the cessation of property operations in Japan following the Disposal as well as accruals for Disposal-related expenses.
4. This comprised mainly the gross Disposal consideration of JPY 44.66 billion, as well as deductions for Disposal-related expenses (mainly including legal and professional fees and divestment fees).
5. All loans of the TK operators were fully repaid on 4 March 2016 pursuant to the Disposal. In addition, advances drawn down by Saizen REIT under cash-backed credit facilities were fully repaid upon maturity on 28 March 2016.
6. The distribution to Unitholders in 3Q FY2016 comprised the income distribution for the six-month financial period ended 31 December 2015 and the special distribution from the Disposal (of S\$1.056 per Unit). On the other hand the distribution to Unitholder in 3Q FY2015 comprised the income distribution for the six-month financial period ended 31 December 2014.
7. Following the repayment of all borrowings, bank deposits previously pledged as collateral for borrowings have been released from such pledges.
8. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	<b>3Q FY2016</b> <b>(JPY'000)</b>	<b>3Q FY2015</b> <b>(JPY'000)</b>
Cash and bank balances (per balance sheet)	3,112,070	5,257,073
Less: Bank deposits pledged	-	(547,280)
	<u>3,112,070</u>	<u>4,709,793</u>

Bank deposits pledged related to minimum bank balances which had to be maintained by Saizen REIT, GK Choan, GK Gyotatsu and GK Tosei in 3Q FY2015 under the terms of their respective loans or credit facilities.

### 1 (c) Cash flow statement (for the Group) (YTD Mar 2016 vs YTD Mar 2015)

	<b>YTD Mar 2016</b> <b>(JPY'000)</b>	<b>YTD Mar 2015</b> <b>(JPY'000)</b>
<b>Operating activities</b>		
Total (loss)/return for the period after income tax before distribution	(568,778)	1,188,544
Adjustments for:		
Income tax (credit)/expense	(228,557)	165,667
Interest income	(3,223)	(1,824)
Interest expenses and finance costs	1,263,928 <sup>1</sup>	311,081
Net fair value loss/(gain) on financial derivatives	1,322,548 <sup>2</sup>	(74,631)
(Loss)/gain on divestment of properties	(45,849)	1,240
Gain on sale of TK investment	(417,339)	-
Net fair value losses on investment properties	69,031	5,648
Unrealised foreign exchange loss	-	23,082
Operating profit before working capital changes	<u>1,391,761</u>	<u>1,618,807</u>
<b>Changes in working capital</b> <sup>3</sup>		
Deposit with cash management agents	364	111
Trade and other receivables	(5,136)	(444)
Other current assets	49,875	(4,941)
Other current liabilities	172,047	59,238
Other liabilities – provision for asset manager's fees	(61,011)	-
Rental received in advance	(257,452)	2,499
Rental deposits	(460,743)	(10,713)
Cash generated from operations	<u>829,705</u>	<u>1,664,557</u>
Income tax paid	(1,540)	(1,145)
Withholding tax paid	<u>(288,392)</u>	<u>(161,606)</u>
<b>Cash flows provided by operating activities</b>	<u>539,773</u>	<u>1,501,806</u>

	YTD Mar 2016 (JPY'000)	YTD Mar 2015 (JPY'000)
<b>Investing activities</b>		
Net cash effect on acquisition of subsidiary	200	10
Capital expenditure/addition of investment properties	(748,708)	(113,167)
Proceeds from sale of investment properties	427,849	488,347
Sale of TK investment	43,570,437 <sup>4</sup>	-
Expenditure on transfer of properties between subsidiaries	-	(24,587)
<b>Cash flows provided by investing activities</b>	<b>43,249,778</b>	<b>350,603</b>
<b>Financing activities</b>		
Bank borrowings obtained	-	1,450,000
Repayment of bank borrowings	(17,568,447) <sup>5</sup>	(1,417,321)
Issuance cost for scrip dividend	(4,262)	-
Distribution to Unitholders	(26,112,086) <sup>6</sup>	(1,494,890)
Interest received	3,261	1,790
Interest paid and finance costs <sup>1</sup>	(917,712)	(310,194)
Net settlement of interest rate swaps and forward contracts <sup>2</sup>	(1,567,685)	12,848
Bank deposits pledged for bank borrowings	562,520	623,314
<b>Cash flows used in financing activities</b>	<b>(45,604,411)</b>	<b>(1,134,453)</b>
Net (decrease)/increase in cash and cash equivalents	(1,814,860)	717,956
Cash and cash equivalents at beginning of the period	4,926,930	3,991,837
<b>Cash and cash equivalents at end of the period<sup>7</sup></b>	<b>3,112,070</b>	<b>4,709,793</b>

**Notes:**

1. This included finance costs relating to the early repayment of loans and cancellation of interest rate swap arrangements, in connection with the Disposal in 3Q FY2016.
2. This included foreign exchange loss on a forward contract which had been entered into (as announced on 3 November 2015) to hedge the JPY-S\$ exchange rate of a substantial portion of Saizen REIT's post-Disposal cash balance.
3. Changes to working capital in YTD Mar 2016 reflected predominantly the effects of the cessation of property operations in Japan following the Disposal as well as accruals for Disposal-related expenses
4. This comprised mainly the gross Disposal consideration of JPY 44.66 billion, as well as deductions for Disposal-related expenses (mainly including legal and professional fees and divestment fees).
5. All loans of the TK operators were fully repaid on 4 March 2016 pursuant to the Disposal. In addition, advances drawn down by Saizen REIT under cash-backed credit facilities were fully repaid upon maturity on 28 March 2016.
6. The distribution to Unitholders in YTD Mar 2016 comprised the income distribution for the six-month financial period ended 31 December 2015 and the special distribution from the Disposal (of S\$1.056 per Unit), which were both paid in March 2016.
7. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	YTD Mar 2016 (JPY'000)	YTD Mar 2015 (JPY'000)
Cash and bank balances (per balance sheet)	3,112,070	5,257,073
Less: Bank deposits pledged	-	(547,280)
	<b>3,112,070</b>	<b>4,709,793</b>

Bank deposits pledged related to minimum bank balances which had to be maintained by Saizen REIT, GK Choan, GK Gyotatsu and GK Tosei in YTD Mar 2015 under the terms of their respective loans or credit facilities.

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

<u>The Group</u>	<u>YTD Mar 2016</u> <u>(JPY'000)</u>	<u>YTD Mar 2015</u> <u>(JPY'000)</u>
<b>OPERATIONS</b>		
<b>Balance as at beginning of the period</b>	(9,684,467)	(11,299,035)
Total (loss)/return for the period	(659,577)	1,167,719
Distribution to Unitholders	(1,132,311)	(1,152,032)
<b>Balance as at end of period</b>	<b>(11,476,355)</b>	<b>(11,283,348)</b>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at beginning of the period</b>	39,107,587	39,450,445
Distribution to Unitholders	(25,215,005)	(342,858)
Issue of new Units pursuant to the Distribution Reinvestment Plan	235,230	-
Direct issuing cost against equity	(4,262)	-
<b>Balance as at end of period</b>	<b>14,123,550</b>	<b>39,107,587</b>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>2,647,195</b>	<b>27,824,239</b>
<b>NON-CONTROLLING INTERESTS</b>		
<b>Balance as at beginning of the period</b>	146,681	109,672
Effect on investment in new TK operator	200	10
Total return for the period	90,799	20,825
Written off upon disposal of TK investment	(237,680)	-
<b>Balance as at end of period</b>	<b>-</b>	<b>130,507</b>
<b>TOTAL</b>	<b>2,647,195</b>	<b>27,954,746</b>
<b>Saizen REIT</b>	<b>YTD Mar 2016</b> <b>(JPY'000)</b>	<b>YTD Mar 2015</b> <b>(JPY'000)</b>
<b>OPERATIONS</b>		
<b>Balance as at beginning of the period</b>	(10,946,597)	(12,547,787)
Total (loss)/return for the period	(652,374)	559,207
Distribution to Unitholders	(1,132,311)	(1,152,032)
<b>Balance as at end of period</b>	<b>(12,731,282)</b>	<b>(13,140,612)</b>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at beginning of the period</b>	40,362,514	40,705,372
Distribution to Unitholders	(25,215,005)	(342,858)
Issue of new Units pursuant to the Distribution Reinvestment Plan	235,230	-
Direct issuing cost against equity	(4,262)	-
<b>Balance as at end of period</b>	<b>15,378,477</b>	<b>40,362,514</b>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>2,647,195</b>	<b>27,221,902</b>

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

	<u>3Q FY2016</u>	<u>3Q FY2015</u>
Number of issued Units as at beginning and end of period	287,024,902	283,611,720

3,413,182 new Units were allotted and issued on 28 September 2015 to Unitholders pursuant to Saizen REIT's Distribution Reinvestment Plan.

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\$32.1 million had 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. As at 31 March 2016, all warrant proceeds have been fully 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.

	<b>3Q FY2016</b>	<b>3Q FY2015</b>	<b>YTD Mar 2016</b>	<b>YTD Mar 2015</b>
Total (loss)/return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)	(1,233,083)	275,035	(659,577)	1,167,719
EPU - basic and diluted (JPY)	(4.30)	0.97	(2.31)	4.12
(cents)	(5.23) <sup>1</sup>	1.10 <sup>2</sup>	(2.70) <sup>3</sup>	4.77 <sup>4</sup>
Weighted average number of Units	287,024,902	283,611,720	285,920,272	283,611,720

**Notes:**

1. Based on an average exchange rate of JPY82.2/S\$ between 1 January 2016 and 31 March 2016.
2. Based on an average exchange rate of JPY87.9/S\$ between 1 January 2015 and 31 March 2015.
3. Based on an average exchange rate of JPY85.5/S\$ between 1 July 2015 and 31 March 2016.
4. Based on an average exchange rate of JPY86.4/S\$ between 1 July 2014 and 31 March 2015.

## 7. Net asset value (“NAV”) per Unit based on issued Units at the end of 31 March 2016 and 30 June 2015

<b>The Group</b>		<b>As at 31 Mar 2016</b>	<b>As at 30 Jun 2015</b>
NAV per Unit based on issued Units at the end of financial period	(JPY)	9.22	103.74
	(S\$)	0.11 <sup>1</sup>	1.14 <sup>2</sup>

  

<b>Saizen REIT</b>		<b>As at 31 Mar 2016</b>	<b>As at 30 Jun 2015</b>
NAV per Unit based on issued Units at the end of financial period	(JPY)	9.22	103.72
	(S\$)	0.11 <sup>1</sup>	1.14 <sup>2</sup>

### Notes:

1. Based on an exchange rate of JPY83.4/S\$ as at 31 March 2016, which is applied throughout this announcement unless stated otherwise.
2. Based on an exchange rate of JPY90.9/S\$ as at 30 June 2015.

## 8. Review of performance

### Income statement: 3Q FY2016 vs 3Q FY2015

	<b>3Q FY2016<sup>1</sup></b>	<b>3Q FY2015<sup>2</sup></b>	<b>Increase/ (Decrease) %</b>
	<b>(JPY'000)</b>	<b>(JPY'000)</b>	
Gross revenue	702,187	969,537	(27.6)
Property operating expenses <sup>3</sup>	(252,656)	(317,427)	(20.4)
<b>Net property income</b>	<b>449,531</b>	<b>652,110</b>	(31.1)
Asset management fees	58,306	(8,207)	NM <sup>8</sup>
Interest expenses <sup>4</sup>	(64,098)	(108,261)	(40.8)
Guarantor fee to asset manager	(4,975)	(7,476)	(33.5)
Other administrative expenses	(18,664)	(29,751)	(37.3)
<b>Net income from property operations</b>	<b>420,100</b>	<b>498,415</b>	(15.7)
Interest income	1,196	743	61.0
Net foreign exchange loss <sup>5</sup>	(1,722)	(10,278)	(83.2)
Other operating expenses <sup>6</sup>	(1,161,807)	(100,992)	>100.0
Adjustment <sup>7</sup>	12,299	20,201	(39.1)
<b>Net (loss)/income from operations</b>	<b>(729,934)</b>	<b>408,089</b>	NM <sup>8</sup>

### Notes:

1. There were 136 properties at the start of 3Q FY2016. Following the completion of the Disposal on 4 March 2016, Saizen REIT did not hold any properties at the end of 3Q FY2016.
2. There were 136 properties at the start and at the end of 3Q FY2015.
3. Property operating expenses comprised the following:

	<b>3Q FY2016</b>	<b>3Q FY2015</b>	<b>Increase / (Decrease) %</b>
	<b>(JPY'000)</b>	<b>(JPY'000)</b>	
Property tax	49,104	68,343	(28.2)
Property manager's fees	26,997	37,935	(28.8)
Operation and maintenance expenses	33,764	48,238	(30.0)
Repairs and renovations	63,829	57,984	10.1
Leasing and marketing expenses	16,535	33,629	(50.8)
Utilities charges	44,783	46,119	(2.9)
Insurance expenses	8,041	10,564	(23.9)
Write back/ Impairment on trade receivables	(4,596)	247	NM <sup>8</sup>
Bad debt written-off	98	252	(61.1)
Consumption tax arising from operations	14,101	14,116	(0.1)

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

5. *Net foreign exchange loss comprised mainly unrealised foreign exchange loss on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.*
6. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding 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

As the Disposal was completed on 4 March 2016, Saizen REIT only had property operations from 1 January 2016 to 3 March 2016. As such, the financial results of 3Q FY2016 do not offer a like-for-like comparison with those of 3Q FY2015.

Gross revenue in 3Q FY2016 decreased by 27.6% as compared to 3Q FY2015, due mainly to the shortened period of property operations. On the other hand, average occupancy rates improved during this shortened period to 91.3% as compared to 90.9% in 3Q FY2015.

Overall rental reversions of new contracts entered into were lower by about 1.8% (3Q FY2015: lower by about 0.8%) from previous contracted rates, primarily attributable to reversions of contracts previously entered into before 2008 and challenging market conditions in cities such as Kitakyushu and Niigata.

Property operating expenses decreased by 20.4% in 3Q FY2016, due mainly to the shortened period of property operations. The increase in repair and renovation expenses of 10.1% was mainly due to exterior works such as waterproofing and wall repairs, as well as room repairs and renovation works to enhance the competitiveness of the properties, as reflected in the improved occupancy rates during the period.

There was a net write-back of asset management fees of JPY 58.3 million in 3Q FY2016, due mainly to the write-back of previous accruals pursuant to the Disposal. Further, interest expenses and guarantor fees paid to the asset manager decreased by 40.8% and 33.5% respectively, due to the early repayment of all loans of the TK operators on 4 March 2016.

Other administrative expenses decreased by 37.3%, in line with the shortened period of property operations, and partly due to legal and professional fees which were incurred in 3Q FY2015 in connection with a loan obtained during the period.

Net income from property operations consequently decreased by 15.7%, from JPY 498.4 million in 3Q FY2015 to JPY 420.1 million in 3Q FY2016.

#### Group-level operations

A net loss from operations of JPY 729.9 million was recorded in 3Q FY2016, as compared to net income from operations of JPY 408.1 million in 3Q FY2015, due to the decrease in net income from property operations of JPY 78.3 million and mainly to an increase in other operating expenses relating to the Disposal arising from:

- (i) costs of JPY 669.9 million relating to the early termination of loans and cancellation of interest rate swap arrangements pursuant to the Disposal;
- (ii) an increase in amortisation of loan commission of JPY 326.4 million due to the one-off write-off of all previously capitalised loan commissions pursuant to the Disposal; and
- (iii) an increase in the Manager's management fees of JPY 100.6 million, due mainly to accruals for the supplemental payment of S\$1.2 million to the Manager,

which is partially offset by a one-off write-back of previous accruals for valuation fees pursuant to the Disposal which contributed to the recognition of an income of JPY 2.1 million in 3Q FY2016 as compared to other trust expenses of JPY 27.3 million in 3Q FY2015.

The net foreign exchange losses of JPY 1.7 million and JPY 10.3 million in 3Q FY2016 and 3Q FY2015 respectively were mainly attributable to unrealised foreign exchange losses (on the translation of S\$-denominated bank balances to JPY for the preparation of the financial statements), which resulted from the depreciation of S\$ against the JPY during the respective periods.

Other Group-level non-operating items

After taking into account, among others, Disposal-related expenses (including legal and professional fees and divestment fees), a gain of JPY 417.3 million was recorded on the Disposal in 3Q FY2016.

The loss on divestment of properties and net fair value loss on investment properties in 3Q FY2015 were mainly related to the transfer of 2 properties from GK Choan to GK Togen. Comparatively, there were no such transactions in 3Q FY2016.

Fair value losses on forward contract of JPY 1,491.1 million and JPY 54.6 million were recognised in 3Q FY2016 and 3Q FY2015 respectively, as the JPY had strengthened against the S\$ during the respective periods. The fair value losses on forward contract recorded in 3Q FY2016 arose mainly from the difference between the forward rate under a forward contract which was used to substantially hedge Saizen REIT's post-Disposal cash balance and the average rate in March 2016, during which the forward contract was settled.

Interest rate swap arrangements which had been entered into to fix interest rates of loans were cancelled in 3Q FY2016 pursuant to the Disposal. Accordingly, the fair value of these swaps (previously recognised as a liability) were written off and a fair value gain of JPY 322.3 million was recorded in 3Q FY2016. Comparatively, an unrealised fair value gain on interest rate swap of JPY 39.0 million was recorded in 3Q FY2015.

**Income statement: 3Q FY2016 vs 2Q FY2016**

	3Q FY2016 <sup>1</sup> (JPY'000)	2Q FY2016 <sup>2</sup> (JPY'000)	Increase/ (Decrease) %
Gross revenue	702,187	980,103	(28.4)
Property operating expenses <sup>3</sup>	(252,656)	(297,438)	(15.1)
<b>Net property income</b>	<b>449,531</b>	<b>682,665</b>	(34.2)
Asset management fees	58,306	(7,967)	NM <sup>8</sup>
Interest expenses <sup>4</sup>	(64,098)	(108,257)	(40.8)
Guarantor fee to asset manager	(4,975)	(7,366)	(32.5)
Other administrative expenses	(18,664)	(29,387)	(36.5)
<b>Net income from property operations</b>	<b>420,100</b>	<b>529,688</b>	(20.7)
Interest income	1,196	885	35.1
Net foreign exchange (loss)/gain <sup>5</sup>	(1,722)	9,071	NM <sup>8</sup>
Other operating expenses <sup>6</sup>	(1,161,807)	(128,489)	>100.0
Adjustment <sup>7</sup>	12,299	20,484	(40.0)
<b>Net (loss)/income from operations</b>	<b>(729,934)</b>	<b>431,639</b>	NM <sup>8</sup>

**Notes:**

1. There were 136 properties at the start of 3Q FY2016. Following the completion of the Disposal on 4 March 2016, Saizen REIT did not hold any properties at the end of 3Q FY2016.
2. There were 136 properties at the start and at the end of 2Q FY2016.

3. *Property operating expenses comprised the following:*

	<b>3Q FY2016</b> <b>(JPY'000)</b>	<b>2Q FY2016</b> <b>(JPY'000)</b>	<i>Increase /</i> <i>(Decrease) %</i>
<i>Property tax</i>	49,104	70,812	(30.7)
<i>Property manager's fees</i>	26,997	39,358	(31.4)
<i>Operation and maintenance expenses</i>	33,764	44,652	(24.4)
<i>Repairs and renovations</i>	63,829	56,639	12.7
<i>Leasing and marketing expenses</i>	16,535	20,930	(21.0)
<i>Utilities charges</i>	44,783	40,061	11.8
<i>Insurance expenses</i>	8,041	10,931	(26.4)
<i>Write back of impairment on trade receivables</i>	(4,596)	(555)	>100.0
<i>Bad debt written-off</i>	98	557	(82.4)
<i>Consumption tax arising from operations</i>	14,101	14,053	0.3

4. *Interest expenses included the realised loss (payment) on interest rate swap.*
5. *Net foreign exchange (loss)/gain 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 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

As the Disposal was completed on 4 March 2016, Saizen REIT only had property operations from 1 January 2016 to 3 March 2016. As such, the financial results of 3Q FY2016 do not offer a like-for-like comparison with those of 2Q FY2016.

Gross revenue in 3Q FY2016 decreased by 28.4% as compared to 2Q FY2016, due mainly to the shortened period of property operations. Average occupancy rates for the period was 91.3% as compared to 91.2% in 2Q FY2016, while overall rental reversions of new contracts entered into were lower by about 1.8% (3Q FY2015: lower by about 1.7%) from previous contracted rates.

Property operating expenses decreased by 15.1% in 3Q FY2016 as compared to 2Q FY2016, due mainly to the shortened period of property operations, and partially offset by seasonal increases in repair and renovation during the leasing season, and maintenance and utilities expenses during the winter months.

Previous provisions for asset management fees were written back in 3Q FY2016 pursuant to the Disposal. Interest expenses and guarantor fees paid to the asset manager decreased by 40.8% and 32.5% respectively, due to the early repayment of all loans of the TK operators on 4 March 2016.

Other administrative expenses decreased by 36.5%, in line with the shortened period of property operations.

Net income from property operations consequently decreased by 20.7%, from JPY 529.7 million in 2Q FY2016 to JPY 420.1 million in 3Q FY2016.

#### Group-level operations

A net loss from operations of JPY 729.9 million was recorded in 3Q FY2016, as compared to net income from operations of JPY 431.6 million in 2Q FY2016, due to the decrease in net income from property operations of JPY 109.6 million and mainly to an increase in other operating expenses relating to the Disposal arising from:

- (i) costs of JPY 669.9 million relating to the early termination of loans and cancellation of interest rate swap arrangements pursuant to the Disposal;

- (ii) an increase in amortisation of loan commission of JPY 326.1 million due to the one-off write-off of all previously capitalised loan commissions pursuant to the Disposal; and
- (iii) an increase in the Manager's management fees of JPY 97.4 million, due mainly to accruals for the supplemental payment of S\$1.2 million to the Manager,

which is partially offset by a one-off write-back of previous accruals for valuation fees pursuant to the Disposal which contributed to the recognition of an income of JPY 2.1 million in 3Q FY2016 as compared to other trust expenses of JPY 29.6 million in 3Q FY2015.

A net foreign exchange loss of JPY 1.7 million was recorded in 3Q FY2016, due mainly to unrealised foreign exchange loss (on the translation of S\$-denominated bank balances to JPY for the preparation of the financial statements) which resulted from the depreciation of S\$ against the JPY during the period. Comparatively, a net foreign exchange gain of JPY 9.1 million was recorded in 2Q FY2016.

Other Group-level non-operating items

Quarter-on-quarter variances arising from the gain on disposal of TK investment and fair value loss on financial derivatives are related to the Disposal. Such losses have been explained in the year-on-year review above.

**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**

Following the completion of the Disposal on 4 March 2016, Saizen REIT has ceased to have any operating business, and has become a cash trust within the meaning of Rule 1018 of the Listing Manual of the SGX-ST.

While the Manager remains open to consider various options available to Saizen REIT, it has not received any concrete or material proposals in respect of post-transaction plans for Saizen REIT to-date. If there are no suitable options available to Saizen REIT, the Manager intends to terminate Saizen REIT upon expiry of the liability claim period (being up to four months after completion of the Disposal, i.e. 4 July 2016) and to make a final distribution to Unitholders. The Manager will make relevant announcements (if any) when appropriate to keep Unitholders updated of any significant developments.

Saizen REIT's cash balance as at 31 March 2016 includes amounts set aside (a) for payment of Disposal-related expenses, as well as costs incurred in connection with the post-Disposal maintenance and management and the liquidation of Saizen REIT; and (b) to meet or satisfy claims that may be filed by Triangle TMK during the liability claim period (if any). Any remaining cash of Saizen REIT at liquidation, after settling the abovementioned expenses and claims (if any), will be applied to make a final distribution to Unitholders on the termination and dissolution of Saizen REIT. Please refer to Saizen REIT's announcement(s) pursuant to Rule 1018 of the Listing Manual of the SGX-ST, for further details on the monthly valuation of assets and utilisation of cash of Saizen REIT.

**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 3Q FY2016.

**13. Interested person transactions**

The following fees relating to pre-Disposal property operations were recorded in 3Q FY2016:

- (i) guarantor fees paid to the asset manager, KK Tenyu Asset Management (the “**Asset Manager**”) amounted to an aggregate of JPY 5.0 million (S\$0.06 million);
- (ii) property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 4.1 million (S\$0.05 million); and
- (iii) fees paid to the Asset Manager for the rental of office premises amounted to JPY 20,000 (S\$240).

The following Disposal-related fees were recorded in 3Q FY2016:

- (i) divestment fee payable to the Manager amounted to JPY 133.98 million (S\$1.6 million);
- (ii) additional service fee paid/payable to the Asset Manager amounted to JPY 31.4 million (S\$0.4 million);
- (iii) additional service fee payable to a related company of the Asset Manager amounted to an aggregate of JPY 0.8 million (S\$0.01 million); and
- (iv) supplemental payment payable to the Manager (as approved by Unitholders) amounted to S\$1.2 million.

As the Manager will not be receiving any management fee after the Disposal, its operational expenses after the Disposal (which comprise mainly staff remuneration, director fees, office rental and administrative expenses) shall be claimed from Saizen REIT on a cost-recovery

basis (as disclosed in the circular to Unitholders dated 5 February 2016). Such costs claimed by the Manager in 3Q FY2016 amounted to an aggregate of S\$192,100.

**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 March 2016 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 the Manager on future events.

**BY ORDER OF THE BOARD**

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

12 May 2016