

Announcement In Relation To The Unaudited Financial Statements For The Second Quarter Ended 31 December 2014

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INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust ("**Saizen REIT**") has declared a distribution of 3.10 Singapore cents ("**cents**") per Unit for the six-month financial period ended 31 December 2014 ("**YTD Dec 2014**"). This is the same as the distribution per Unit ("**DPU**") for the six-month financial period ended 30 June 2014 ("**2H FY2014**").

The decrease of 4.6% in the DPU for YTD Dec 2014 as compared to the DPU of 3.25 cents for the six-month financial period ended 31 December 2013 ("**YTD Dec 2013**") was mainly due to lower net property income (predominantly in the first quarter ended 30 September 2014 ("**1Q FY2015**")) and the depreciation of the JPY against the S\$.

Distributable income includes an amount from capital cash resources which will be used to offset loan principal repayment. For YTD Dec 2014, the use of capital cash resources to offset loan principal repayment contributed to 1.39 cents out of the DPU of 3.10 cents. Going forward, the ability to offset such loan principal repayment is subject to the availability of cash resources which will depend on cash raised on new loans or disposal proceeds within the coming year.

Year-on-year and quarter-on-quarter gross revenue and net property income remained relatively stable in the second quarter ended 31 December 2014 ("**2Q FY2015**").

The average occupancy rate of Saizen REIT's properties was 90.0% in 2Q FY2015, as compared to 90.6% in the second quarter ended 31 December 2013 ("**2Q FY2014**") and 90.1% in 1Q FY2015. The year-on-year decrease in occupancy rates was mainly attributable to properties in the cities of Sendai, Kumamoto and Niigata. Properties in Sendai, which had been experiencing higher occupancy rates in the past few years, continued to see a normalisation of average occupancy rates at around 93% as compared to around 95% a year ago. Meanwhile, properties in Kumamoto and Niigata have been facing competition from new buildings.

Overall rental reversion of new contracts entered into in 2Q FY2015 was marginally lower by about 0.3% (2Q FY2014 and 1Q FY2015: lower by about 0.5% and 0.7% respectively) from previous contracted rates. Downward rental reversions were mainly recorded for expired contracts previously entered into prior to 2008 as the rent of such contracts had not been changed to prevailing market rates during their multiple contract renewals over the years. Meanwhile, reversions in 2Q FY2015 which involved expired contracts previously entered into from 2009 onwards were mostly transacted at the same or higher rents.

Saizen REIT divested a property, namely High Grace II, in November 2014 for JPY 366.45 million (S\$4.0 million¹), which represented a premium of approximately 16% to its valuation.

The weakening of the JPY against the S\$ in 2Q FY2015 had weighed on Saizen REIT's net asset value and income in S\$-terms. Saizen REIT has hedged the distribution payments for the six-month financial period ending 30 June 2015 at JPY85.6/S\$.

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

Summary of results

Net asset value attributable to Unitholders increased slightly from JPY 28.2 billion as at 30 June 2014 to JPY 28.3 billion as at 31 December 2014, attributable mainly to the total return of the Group in YTD Dec 2014, and partially offset by the payment of distributions for 2H FY2014. Net asset value per Unit decreased from S\$1.22 as at 30 June 2014 to S\$1.10 as at 31 December 2014, due mainly to the depreciation of the JPY against the S\$ from JPY81.3/S\$ to JPY90.7/S\$.

The following is a summary of Saizen REIT's operating performance for 2Q FY2015, 1Q FY2015, 2Q FY2014, YTD Dec 2014, YTD Dec 2013 and 2H FY2014.

	2Q FY2015 ²	1Q FY2015 ³	2Q FY2014 ⁴
Gross revenue (S\$'000) (JPY'000)	11,050 ⁵ 976,850	11,716 ⁶ 973,613	12,303 ⁷ 989,182
Net property income (S\$'000) (JPY'000)	7,761 ⁵ 686,033	8,127 ⁶ 675,335	8,576 ⁷ 689,486
Net income from operations (S\$'000) (JPY'000)	5,091 ⁵ 450,045	5,154 ⁶ 428,334	5,588 ⁷ 449,287

	YTD Dec 2014 ⁸	2H FY2014 ⁹	YTD Dec 2013 ¹⁰
Distributable income generated during the period (S\$'000) (JPY'000)	8,461 ¹¹ 725,071	8,753 ¹² 711,637	9,448 ¹³ 748,271
Distribution (S\$'000) (JPY'000)	8,792 ¹⁴ 720,062 ¹⁵	8,792 725,153	9,217 747,990
Distribution per Unit (cents)	3.10	3.10	3.25

Notes:

1. Based on an exchange rate of JPY90.7/S\$ as at 31 December 2014, which is applied throughout this announcement unless stated otherwise.
2. There were 137 properties at the start of 2Q FY2015 and 136 properties at the end of 2Q FY2015.
3. There were 138 properties at the start of 1Q FY2015 and 137 properties at the end of 1Q FY2015.
4. There were 139 properties at the start and at the end of 2Q FY2014.
5. Based on an average exchange rate of JPY88.4/S\$ between 1 October 2014 and 31 December 2014.
6. Based on an average exchange rate of JPY83.1/S\$ between 1 July 2014 and 30 September 2014.
7. Based on an average exchange rate of JPY80.4/S\$ between 1 October 2013 and 31 December 2013.
8. There were 138 properties at the start and 136 properties at the end of YTD Dec 2014.
9. There were 139 properties at the start of 2H FY2014 and 138 properties at the end of 2H FY2014.
10. There were 139 properties at the start and at the end of YTD Dec 2013.
11. Based on an average exchange rate of JPY85.7/S\$ between 1 July 2014 and 31 December 2014.
12. Based on an average exchange rate of JPY81.3/S\$ between 1 January 2014 and 30 June 2014
13. Based on an average exchange rate of JPY79.2/S\$ between 1 July 2013 and 31 December 2013.
14. Based on 283,611,720 Units in issue.
15. Based on a hedged exchange rate of JPY81.9/S\$.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	3.10 cents per Unit
Books closure date	23 February 2015, 5.00 p.m.
Date payable	27 March 2015

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 November 2007 (the “**Listing**”), 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 2014 comprised 136 properties located in 14 cities in Japan, and was valued at approximately JPY 41.7 billion (S\$459.8 million).

Saizen REIT invests in the properties in Japan via partnership agreements (“**TK agreements**”) with local property holding companies known as *tokumei kumiai* operators (“**TK operators**”). As at the date hereof, Saizen REIT has entered into TK agreements with 13 TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou, GK Gyosei, GK Tosei and GK Gyotatsu.

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

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (2Q FY2015 vs 2Q FY2014)**

	2Q FY2015 (JPY'000)	2Q FY2014 (JPY'000)	Increase / (Decrease) %
Gross revenue	976,850	989,182	(1.2)
Property operating expenses	(290,817)	(299,696)	(3.0)
Net property income	686,033	689,486	(0.5)
Manager's management fees	(52,637)	(51,895)	1.4
Asset management fees	(6,554)	(8,254)	(20.6)
Trustee's fee	(3,470)	(2,591)	33.9
Finance costs ¹	(128,096)	(169,973)	(24.6)
Interest income	288	376	(23.4)
Other income ²	30,725	66,662	(53.9)
Other trust expenses	(34,278)	(32,398)	5.8
Other administrative expenses	(41,966)	(42,126)	(0.4)
Net income from operations	450,045	449,287	0.2
Gain on divestment of property	18,020	-	NM ³
Net fair value gain on financial derivatives - fair value through profit or loss ⁴	52,554	58,122	(9.6)
Total return for the period before income tax ⁵	520,619	507,409	2.6
Income tax ⁶	(54,763)	(46,836)	16.9
Total return for the period after income tax	465,856	460,573	1.1
Attributable to:			
Unitholders	457,322	453,499	0.8
Non-controlling interests	8,534	7,074	20.6
	465,856	460,573	1.1

Notes:

1. Finance costs comprised the following:

	2Q FY2015 (JPY'000)	2Q FY2014 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(91,863)	(92,426)	(0.6)
(ii) amortisation of loan commission	(13,017)	(13,072)	(0.4)
(iii) guarantor fee to asset manager	(7,613)	(7,983)	(4.6)
(iv) cost of refinancing/repayment	(3)	-	NM ³
(v) foreign exchange difference from financing	(15,600)	(56,492)	(72.4)

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

3. NM denotes not meaningful.

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

	2Q FY2015 (JPY'000)	2Q FY2014 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,164)	(20,394)	(1.1)
(ii) unrealised fair value (loss)/gain on interest rate swap	(7,808)	6,926	NM ³
(iii) fair value gain on forward contract and zero cost collar	80,526	71,590	12.5

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

	2Q FY2015 (JPY'000)	2Q FY2014 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	725	1,932	(62.5)
(ii) trade receivables written-off	(800)	(536)	49.3

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 202.1 million and JPY 202.1 million in 2Q FY2015 and 2Q FY2014 respectively.

Statement of total return (for the Group) (YTD Dec 2014 vs YTD Dec 2013)

	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,950,463	1,978,583	(1.4)
Property operating expenses	(589,095)	(587,883)	0.2
Net property income	1,361,368	1,390,700	(2.1)
Manager's management fees	(105,513)	(103,790)	1.7
Asset management fees	(15,472)	(17,278)	(10.5)
Trustee's fee	(7,109)	(4,106)	73.1
Finance costs ¹	(312,630)	(295,692)	5.7
Interest income	1,081	1,378	(21.6)
Other income ²	91,976	65,946	39.5
Other trust expenses	(57,247)	(59,993)	(4.6)
Other administrative expenses	(78,074)	(75,296)	3.7
Net income from operations	878,380	901,869	(2.6)
Gain on divestment of properties	23,347	-	NM ³
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ⁴	110,396	(22,627)	NM ³
Total return for the period before income tax ⁵	1,012,123	879,242	15.1
Income tax ⁶	(104,700)	(94,563)	10.7
Total return for the period after income tax	907,423	784,679	15.6
Attributable to:			
Unitholders	892,684	772,831	15.5
Non-controlling interests	14,739	11,848	24.4
	907,423	784,679	15.6

Notes:

1. Finance costs comprised the following:

	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(184,102)	(185,699)	(0.9)
(ii) amortisation of loan commission	(25,903)	(24,220)	6.9
(iii) guarantor fee to asset manager	(15,339)	(16,041)	(4.4)
(iv) cost of refinancing/repayment	(5)	-	NM ³
(v) foreign exchange difference from financing	(87,281)	(69,732)	25.2

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

3. NM denotes not meaningful.

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

	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(40,436)	(40,944)	(1.2)
(ii) unrealised fair value gain/(loss) on interest rate swap	6,818	(55,048)	NM ³
(iii) fair value gain on forward contract and zero-cost collar	144,014	73,365	96.3

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

	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	419	1,349	(68.9)
(ii) trade receivables written-off	(1,005)	(840)	19.6

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 404.2 million and JPY 403.5 million in YTD Dec 2014 and YTD Dec 2013 respectively.

Statement of distributable income from operations

	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	892,684	772,831
Adjustments ¹	(158,514)	20,501
Adjusted return for the period	734,170	793,332
Cash deployed for loan principal repayment ²	(332,099)	(316,947)
Loan principal repayment offset by capital cash resources ³	323,000	275,000
Cash deployed for one-off borrowing costs ⁴	(31,057)	(3,114)
One-off borrowing costs offset by capital cash resources ⁵	31,057	-
Distributable income generated during the period	725,071	748,271
Income available for distribution to Unitholders at the beginning of the period	721,077	692,174
Previous distribution paid during the period ⁶	(725,153)	(687,669)
Distributable income from operations at the end of the period	720,995	752,776
Distribution to Unitholders	720,062 ⁷	747,990
Distribution per Unit (cents)	3.10	3.25

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 2014 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.

	YTD Dec 2014	YTD Dec 2013
Portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment)	(cents) 1.39	1.19

- 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 Gyotatsu, while the amount deployed for one-off borrowing costs in YTD Dec 2013 comprised legal and professional fees incurred in respect of the loans of YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen and GK Chosei.
- One-off borrowing costs paid in YTD Dec 2014 will be fully offset with capital cash resources.
- Distribution previously paid in YTD Dec 2014 was related to the distribution declared for the six-month financial period ended 30 June 2014, while distribution previously paid in YTD Dec 2013 was related to the distribution declared for the six-month financial period ended 30 June 2013.
- Based on 283,611,720 Units in issue and a hedged exchange rate of JPY81.9/S\$.

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

1(b)(i) Balance sheet

	The Group	
	As at 31 Dec 2014 (JPY'000)	As at 30 Jun 2014 (JPY'000)
Current assets		
Cash and cash equivalents	5,605,135	5,162,431
Deposits with cash management agents	455	510
Trade and other receivables	17,148	20,349
Other current assets	39,723	60,212
Derivative financial instruments ¹	111,471	4,386
	<u>5,773,932</u>	<u>5,247,888</u>
Non-current assets		
Investment properties	41,668,812	42,056,200
	<u>41,668,812</u>	<u>42,056,200</u>
Total assets	<u>47,442,744</u>	<u>47,304,088</u>
Current liabilities		
Rental deposits	430,539	447,847
Rental received in advance	252,210	251,926
Borrowings	993,706	1,559,034
Other current liabilities	283,059	293,048
Current tax liabilities	154,314	130,083
Derivative financial instruments ²	-	7,725
	<u>2,113,828</u>	<u>2,689,663</u>
Non-current liabilities		
Rental deposits	31,443	33,901
Borrowings	16,271,207	15,729,710
Derivative financial instruments ³	370,525	377,343
Other non-current liabilities	30,335	30,335
Deferred tax liabilities	182,054	182,054
	<u>16,885,564</u>	<u>16,353,343</u>
Total liabilities	<u>18,999,392</u>	<u>19,043,006</u>
Total net assets	<u>28,443,352</u>	<u>28,261,082</u>
Represented by:		
Unitholders	28,318,941	28,151,410
Non-controlling Interests	124,411	109,672
	<u>28,443,352</u>	<u>28,261,082</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612</u>
Net asset value per Unit attributable to Unitholders (JPY)	<u>99.85</u>	<u>99.26</u>

Notes:

1. The derivative financial instruments (current assets) as at 31 December 2014 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 March 2015 and September 2015.

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

2. The derivative financial instruments (current liabilities) as at 30 June 2014 comprised zero-cost collar (valued at the minimum strike) and a forward contract entered into for the purpose of hedging the range of JPY-S\$ exchange rate of Saizen REIT's distribution payments. The zero-cost collar was related to the distribution payment which took place in September 2014, while the forward contract relates to the distribution payment which is expected to take place in March 2015.
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 2014 (JPY'000)	As at 30 Jun 2014 (JPY'000)
Current assets		
Cash and cash equivalents	853,714	1,722,093
Distribution receivables	756,223	633,236
Other receivables	1,055	782
Other assets	3,939	1,226
Derivative financial instrument	111,471	4,386
	<u>1,726,402</u>	<u>2,361,723</u>
Non-current assets		
Investment in subsidiaries	26,720,243	26,984,688
	<u>26,720,243</u>	<u>26,984,688</u>
Total assets	<u>28,446,645</u>	<u>29,346,411</u>
Current liabilities		
Borrowings ¹	362,656	975,594
Other current liabilities	49,526	76,569
Current tax liabilities	154,314	128,938
Derivative financial instrument	-	7,725
	<u>566,496</u>	<u>1,188,826</u>
Total liabilities	<u>566,496</u>	<u>1,188,826</u>
Total net assets	<u>27,880,149</u>	<u>28,157,585</u>
Represented by:		
Unitholders	<u>27,880,149</u>	<u>28,157,585</u>
Number of Units in issue	('000) <u>283,612</u>	<u>283,612</u>
Net asset value per unit attributable to Unitholders(JPY)	<u>98.30</u>	<u>99.28</u>

Note:

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

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

	As at 31 Dec 2014 (JPY'000)	As at 30 Jun 2014 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	993,706	1,559,034
Amount repayable after one year	16,271,207	15,729,710
	<u>17,264,913</u>	<u>17,288,744</u>

Borrowings as at 31 December 2014 were secured over the investment properties valued at JPY 40.9 billion in aggregate and bank deposits of JPY 0.4 billion.

1(c) Cash flow statement (for the Group) (2Q FY2015 vs 2Q FY2014)

	2Q FY2015 (JPY'000)	2Q FY2014 (JPY'000)
Operating activities		
Total return for the period after income tax	465,856	460,573
Adjustments for:		
Income tax	54,763	46,836
Interest income	(288)	(376)
Interest expenses	104,883	105,498
Net fair value gain on financial derivatives	(52,554)	(58,122)
Gain on divestment of property ¹	(18,020)	-
Unrealised foreign exchange loss	5,346	56,492
Operating profit before working capital changes	559,986	610,901
Changes in working capital		
Deposit with cash management agents	21	17
Trade and other receivables	1,588	7,496
Other current assets	19,497	13,391
Other current liabilities	41,085	8,979
Rental received in advance	3,373	(10,800)
Rental deposits	(14,005)	(11,092)
Cash generated from operations	611,545	618,892
Withholding tax paid	(27,892)	(58,183)
Cash flows provided by operating activities	583,653	560,709
Investing activities		
Capital expenditure/addition of investment properties	(73,611)	(58,705)
Sale of investment property ¹	334,020	-
Cash flows provided by/(used in) investing activities	260,409	(58,705)
Financing activities		
Repayment of bank borrowings ²	(607,423)	(157,896)
Interest received	355	383
Interest paid	(91,186)	(94,058)
Payment of interest rate swap	(20,165)	(20,395)
Bank deposits pledged for bank borrowings	238,553 ³	(56,492)
Cash flows used in financing activities	(479,866)	(328,458)
Net increase in cash and cash equivalents	364,196	173,546
Cash and cash equivalent at beginning of the period	4,679,283	4,272,948
Cash and cash equivalent at end of the period ⁴	5,043,479	4,446,494

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 FY2014 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 FY2015 (JPY'000)	2Q FY2014 (JPY'000)
Cash and bank balances (per balance sheet)	5,605,135	5,637,252
Less: Bank deposits pledged	(561,656)	(1,190,758)
	<u>5,043,479</u>	<u>4,446,494</u>

Bank deposits pledged related to minimum bank balances which have to be maintained by Saizen REIT, GK Choan, GK Tosei and GK Gyotatsu in 2Q FY2015, and by Saizen REIT, GK Choan and GK Tosei in 2Q FY2014 under the terms of their respective loans.

1 (c) Cash flow statement (for the Group) (YTD Dec 2014 vs YTD Dec 2013)

	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	907,423	784,679
Adjustments for:		
Income tax	104,700	94,563
Interest income	(1,081)	(1,378)
Interest expenses	210,010	209,919
Net fair value loss on financial derivatives	(110,396)	22,627
Gain on divestment of properties ¹	(23,347)	-
Unrealised foreign exchange loss	37,458	56,371
Operating profit before working capital changes	1,124,767	1,166,781
Changes in working capital		
Deposit with cash management agents	55	15
Trade and other receivables	3,205	9,160
Other current assets	20,743	19,078
Other current liabilities	(10,119)	(120,340)
Rental received in advance	283	(22,004)
Rental deposits	(19,766)	(22,881)
Cash generated from operations	1,119,168	1,029,809
Income tax paid	(1,144)	(1,140)
Withholding tax paid	(79,324)	(120,934)
Cash flows provided by operating activities	1,038,700	907,735
Investing activities		
Capital expenditure/addition of investment properties	(77,612)	(67,341)
Proceeds from sale of investment properties ¹	488,347	-
Cash flows provided by/(used in) investing activities	410,735	(67,341)
Financing activities		
Bank borrowings obtained ²	1,190,000	-
Repayment of bank borrowings ³	(1,246,135)	(316,948)
Distribution to Unitholders	(725,153)	(687,669)
Interest received	1,076	1,409
Interest paid	(215,287)	(187,081)
Net settlement of interest rate swap and forward contracts	(11,232)	(7,487)
Bank deposits pledged for bank borrowings	608,938 ⁴	(56,371)
Cash flows used in financing activities	(397,793)	(1,254,147)
Net increase/(decrease) in cash and cash equivalents	1,051,642	(413,753)
Cash and cash equivalent at beginning of the period	3,991,837	4,860,247
Cash and cash equivalent at end of the period ⁵	5,043,479	4,446,494

Notes:

1. Sun Port 6 and High Grace II were sold in YTD Dec 2014.
2. 2 loans were obtained in YTD Dec 2014.
3. 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. Repayment of bank borrowings in YTD Dec 2013 comprised mainly 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 2014 (JPY'000)	YTD Dec 2013 (JPY'000)
Cash and bank balances (per balance sheet)	5,605,135	5,637,252
Less: Bank deposits pledged	<u>(561,656)</u>	<u>(1,190,758)</u>
	<u>5,043,479</u>	<u>4,446,494</u>

Bank deposits pledged related to minimum bank balances which have to be maintained by Saizen REIT, GK Choan, GK Tosei and GK Gyoatatsu in YTD Dec 2014, and by Saizen REIT, GK Choan and GK Tosei in YTD Dec 2013 under the terms of their respective loans.

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

<u>The Group</u>	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(11,299,035)	(12,242,909)
Total return for the period	892,684	772,831
Distribution to Unitholders	(454,153)	(687,669)
Balance as at end of period	<u>(10,860,504)</u>	<u>(12,157,747)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	39,450,445	39,725,445
Distribution to Unitholders ¹	(271,000)	-
Balance as at end of period	<u>39,179,445</u>	<u>39,725,445</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>28,318,941</u>	<u>27,567,698</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	109,672	77,725
Total return for the period	14,739	11,848
Balance as at end of period	<u>124,411</u>	<u>89,573</u>
TOTAL	<u>28,443,352</u>	<u>27,657,271</u>
<u>Saizen REIT</u>	YTD Dec 2014 (JPY'000)	YTD Dec 2013 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(12,547,787)	(13,472,346)
Total return for the period	447,717	421,263
Distribution to Unitholders	(454,153)	(687,669)
Balance as at end of period	<u>(12,554,223)</u>	<u>(13,738,752)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	40,705,372	40,980,372
Distribution to Unitholders ¹	(271,000)	-
Balance as at end of period	<u>40,434,372</u>	<u>40,980,372</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,880,149</u>	<u>27,241,620</u>

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 FY2015 (Units)	2Q FY2014 (Units)
Issued Units as at beginning of period	283,611,720	1,418,058,795
Adjustment arising from Unit consolidation	-	(1,134,447,075)
Issued Units as at end of period	<u>283,611,720</u>	<u>283,611,720</u>

The Unit Consolidation, which was approved by Unitholders on 30 October 2013, was completed on 8 November 2013.

Unitholders approved the renewal of Saizen REIT's Unit buy-back mandate on 21 October 2014.

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.

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 2014.

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

Not applicable.

6. Earnings per Unit for the financial period (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 financing period.

	2Q FY2015	2Q FY2014	YTD Dec 2014	YTD Dec 2013
Total return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)	457,322	453,499	892,684	772,831
EPU – basic and diluted (JPY)	1.61	1.60	3.15	2.72
(cents)	1.82 ¹	1.99 ²	3.68 ³	3.43 ⁴
Weighted average number of Units	283,611,720	283,611,720	283,611,720	283,611,720

Notes:

1. Based on an average exchange rate of JPY88.4/S\$ between 1 October 2014 and 31 December 2014.
2. Based on an average exchange rate of JPY80.4/S\$ between 1 October 2013 and 31 December 2013.
3. Based on an average exchange rate of JPY85.7/S\$ between 1 July 2014 and 31 December 2014.
4. Based on an average exchange rate of JPY79.2/S\$ between 1 July 2013 and 31 December 2013.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 31 December 2014 and 30 June 2014

The Group

	As at 31 Dec 2014	As at 30 Jun 2014
NAV per Unit based on issued Units at the end of financial period (JPY)	99.85	99.26 ³
(S\$)	1.10 ¹	1.22 ²

Saizen REIT

	As at 31 Dec 2014	As at 30 Jun 2014
NAV per Unit based on issued Units at the end of financial period (JPY)	98.30	99.28 ³
(S\$)	1.08 ¹	1.22 ²

Notes:

1. Based on an exchange rate of JPY90.7/S\$ as at 31 December 2014.
2. Based on an exchange rate of JPY81.3/S\$ as at 30 June 2014.

8. Review of performance

Income statement: 2Q FY2015 vs 2Q FY2014

	2Q FY2015 ¹ (JPY'000)	2Q FY2014 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	976,850	989,182	(1.2)
Property operating expenses ³	(290,817)	(299,696)	(3.0)
Net property income	686,033	689,486	(0.5)
Asset management fees	(6,554)	(8,254)	(20.6)
Interest expenses ⁴	(112,027)	(112,820)	(0.7)
Guarantor fee to asset manager	(7,613)	(7,983)	(4.6)
Other administrative expenses	(29,483)	(25,953)	13.6
Net income from property operations	530,356	534,476	(0.8)
Interest income	288	376	(23.4)
Net foreign exchange gain ⁵	15,125	10,170	48.7
Other operating expenses ⁶	(115,888)	(116,129)	(0.2)
Adjustment ⁷	20,164	20,394	(1.1)
Net income from operations	450,045	449,287	0.2

Notes:

1. There were 137 properties at the start of 2Q FY2015 and 136 properties at the end of 2Q FY2015.
2. There were 139 properties at the start and at the end of 2Q FY2014.
3. Property operating expenses comprised the following:

	2Q FY2015 (JPY'000)	2Q FY2014 (JPY'000)	Increase / (Decrease) %
Property tax	70,376	70,684	(0.4)
Property manager's fees	38,384	39,206	(2.1)
Operation and maintenance expenses	44,798	45,318	(1.1)
Repairs and renovations	51,949	58,826	(11.7)
Leasing and marketing expenses	21,030	24,170	(13.0)
Utilities charges	40,291	41,592	(3.1)
Insurance expenses	10,670	11,029	(3.3)
Write back of impairment on trade receivables	(725)	(1,932)	(62.5)
Bad debt written-off	799	537	48.8
Consumption tax arising from operations	13,245	10,266	29.0

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.

Property-level operations

Gross revenue, net property income and net income from property operations remained relatively stable in 2Q FY2015 as compared to 2Q FY2014.

The average occupancy rate in 2Q FY2015 was 90.0% as compared to 90.6% in 2Q FY2014, while overall rental reversion of new contracts entered into in 2Q FY2015 was marginally lower by about 0.3% (2Q FY2014: lower by about 0.5%) from previous contracted rates.

Repair and renovation expenses decreased by approximately JPY 6.9 million, or 11.7%, in 2Q FY2015. The higher repair expenses in 2Q FY2014 was partly attributable to water leakage works of approximately JPY 4.4 million. The increase in consumption tax arising from operations was mainly due to the increase in consumption tax from 5% to 8% in April 2014.

Group-level operations

Net income from operations remained relatively stable in 2Q FY2015 at approximately JPY 450.0 million.

Trustee's fee expenses increased from JPY 2.6 million in 2Q FY2014 to JPY 3.5 million in 2Q FY2015, due mainly to an adjustment of JPY 0.9 million in 2Q FY2014 for over-accruals in previous periods.

The net foreign exchange gain of JPY 15.1 million in 2Q FY2015 was mainly attributable to the unrealised gain which was recognised on the translation of S\$-denominated bank balances to JPY for the preparation of the Group's financial statements. Such unrealised gain arose due to the depreciation of the JPY against the S\$ in 2Q FY2015. Comparatively, a net foreign exchange gain of JPY 10.2 million was recorded in 2Q FY2014.

Other Group-level non-operating items

1 property was divested in 2Q FY2015, resulting in a gain on disposal of JPY 18.0 million. Comparatively, no property was divested in 2Q FY2014.

The unrealised fair value loss on interest rate swap of JPY 7.8 million in 2Q FY2015 arose mainly due to interest rate swap arrangements entered into to fix the interest rates of loans.

A fair value gain on forward contract of JPY 80.5 million was recognised in 2Q FY2015 as JPY had weakened against the S\$ in 2Q FY2015. Comparatively, a fair value gain on forward contract and zero cost collar of JPY 71.6 million was recognised in 2Q FY2014.

Income statement: 2Q FY2015 vs 1Q FY2015

	2Q FY2015 ¹ (JPY'000)	1Q FY2015 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	976,850	973,613	0.3
Property operating expenses ³	(290,817)	(298,278)	(2.5)
Net property income	686,033	675,335	1.6
Asset management fees	(6,554)	(8,918)	(26.5)
Interest expenses ⁴	(112,027)	(112,510)	(0.4)
Guarantor fee to asset manager	(7,613)	(7,726)	(1.5)
Other administrative expenses	(29,483)	(29,114)	1.3
Net income from property operations	530,356	517,067	2.6
Interest income	288	793	(63.7)
Net foreign exchange gain/(loss) ⁵	15,125	(10,429)	NM ⁸
Other operating expenses ⁶	(115,888)	(99,368)	16.6
Adjustment ⁷	20,164	20,271	(0.5)
Net income from operations	450,045	428,334	5.1

Notes:

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

	2Q FY2015 (JPY'000)	1Q FY2015 (JPY'000)	Increase / (Decrease) %
Property tax	70,376	70,630	(0.4)
Property manager's fees	38,384	38,374	0.0
Operation and maintenance expenses	44,798	45,832	(2.3)
Repairs and renovations	51,949	54,047	(3.9)
Leasing and marketing expenses	21,030	22,308	(5.7)
Utilities charges	40,291	40,502	(0.5)
Insurance expenses	10,670	10,657	0.1
(Write back)/impairment of impairment on trade receivables	(725)	306	NM ^a
Bad debt written-off	799	205	>100.0
Consumption tax arising from operations	13,245	15,417	(14.1)

4. Interest expenses included the realised loss (payment) on interest rate swap.
5. Net foreign exchange gain/(loss) comprised mainly unrealised foreign exchange gain/(loss) on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.
6. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding 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 and net property income remained relatively stable in 2Q FY2015 as compared with 1Q FY2015.

The average occupancy rate was 90.0% in 2Q FY2015 as compared to 90.1% in 1Q FY2015, while overall rental reversion of new contracts entered into in 2Q FY2015 was marginally lower by about 0.3% (1Q FY2015: lower by about 0.7%) from previous contracted rates.

Property operating expenses decreased slightly by 2.5% in 2Q FY2015 as compared to 1Q FY2015, due mainly to decreases in repair and renovation expenses, leasing and marketing expenses and consumption tax arising from operations.

Net income from property operations increased slightly by 2.6% in 2Q FY2015 as compared to 1Q FY2015, due mainly to decreases in property operating expenses as well as asset management fees.

Group-level operations

Net income from operations increased by 5.1% from JPY 428.3 million in 1Q FY2015 to JPY 450.0 million in 2Q FY2015, due mainly to:

- (i) a net foreign exchange gain of JPY 15.1 million in 2Q FY2015 which arose due to the depreciation of the JPY against the S\$ in 2Q FY2015. Comparatively, a net foreign exchange loss of JPY 10.4 million was recorded in 1Q FY2015; and
- (ii) the increase in net income from property operations.

This was partially offset by an increase in other operating expenses, due mainly to:

- (i) an increase in audit fee expenses from JPY 11.4 million in 1Q FY2015 to JPY 20.0 million in 2Q FY2015, due mainly to (i) an increase in audit fees in JPY-terms as a result of the depreciation of the JPY against the S\$ and US\$, and (ii) additional accruals of JPY 6.3 million for under-accruals in the previous financial year; and
- (ii) an increase in legal and professional fees.

Other Group-level non-operating items

A fair value gain on forward contract of JPY 80.5 million was recognised in 2Q FY2015 as the JPY had weakened against the S\$ in 1Q FY2015. Comparatively, a fair value gain on forward contract of JPY 63.5 million was recognised in 1Q FY2015.

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 Liberal Democratic Party, led by Prime Minister Shinzo Abe, retained power following an election in December 2014. Prime Minister Abe has pledged to press on with his policies, or “Abenomics”, to revive the Japanese economy. It has also been announced that Japan will postpone the increase in consumption tax from 8% to 10%, which was originally planned to commence in October 2015, by 18 months to April 2017. The Bank of Japan expects Japan’s economy to continue to recover moderately, and has noted that the effects of the consumption tax hike in April 2014, such as a decline in demand, have generally shown signs of diminishing.

Saizen REIT intends to continue to focus on its strategy of capital structure enhancement, in particular, its cash management and optimal levels of leverage. The Management Team will continue to seek opportunities to increase Saizen REIT’s gearing level (from 36% currently to between 40% and 45%) and to expand its property portfolio with yield-accretive acquisitions.

The Management Team has identified several potential targets and is hopeful of acquiring at least one property soon.

Meanwhile, property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with its distribution policy.

Hedging of foreign exchange exposure

As Saizen REIT’s distributable income from operations is generated in JPY, its S\$-denominated distributions are dependent on the JPY-S\$ cross rates.

Saizen REIT has hedged the distribution payment for the six-month financial period ending 30 June 2015, which is expected to be paid in September 2015, at an average rate of JPY85.6/S\$. Management will look into further hedging for the distribution payment for the six-month financial period ending 31 December 2015 in due course.

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

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

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 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(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 2013
Distribution type	Tax-exempt income
Distribution rate	3.25 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 2013.</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 2013.</p>
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11(c) Date payable

27 March 2015

11(d) Books closure date

23 February 2015, 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 8.0 million (S\$0.1 million) were paid to the Asset Manager in 2Q FY2015.

Divestment fees paid to the Manager for the sale of 1 property amounted to JPY 1.1 million (approximately S\$12,100) in 2QFY2015.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 6.2 million (S\$0.1 million) in 2Q FY2015.

Fees paid to the Asset Manager for rental of office premises amounted to approximately JPY 345,000 (approximately S\$3,800) in 2Q FY2015.

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 2014 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

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

10 February 2015