



**OPPORTUNITIES  
FOR GROWTH**



## **Presentation FY2011 Results**

*[www.saizenreit.com.sg](http://www.saizenreit.com.sg)*

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- The value of units (the “**Units**”) in Saizen Real Estate Investment Trust (“**Saizen REIT**”) and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, Japan Residential Assets Manager Limited as manager of Saizen REIT (the “**Manager**”), or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of Saizen REIT is not necessarily indicative of the future performance of Saizen REIT.
- This presentation may contain forward-looking statements that involve risks and uncertainties. Actual 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Prospective investors and unitholders of Saizen REIT (the “**Unitholders**”) 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.
- Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Listing the Units on the SGX-ST does not guarantee a liquid market for the Units.

# FY2011 Overview

- Cumulative FY2011 DPU of 1.02 cents<sup>1</sup> (FY2010: 0.26 cents)
- Gearing lowered to 24%, with unencumbered properties valued at S\$203.5 million
- Successful resolution of loan default situation
- Upgrade of corporate family rating to B1 from Caa1
- Earthquake caused only minor damage
- Stable property operations

**Note:**

1. Cumulative FY2011 DPU comprises 1H FY2011 DPU of 0.52 cents and 2H FY2011 DPU of 0.50 cents.

# Background

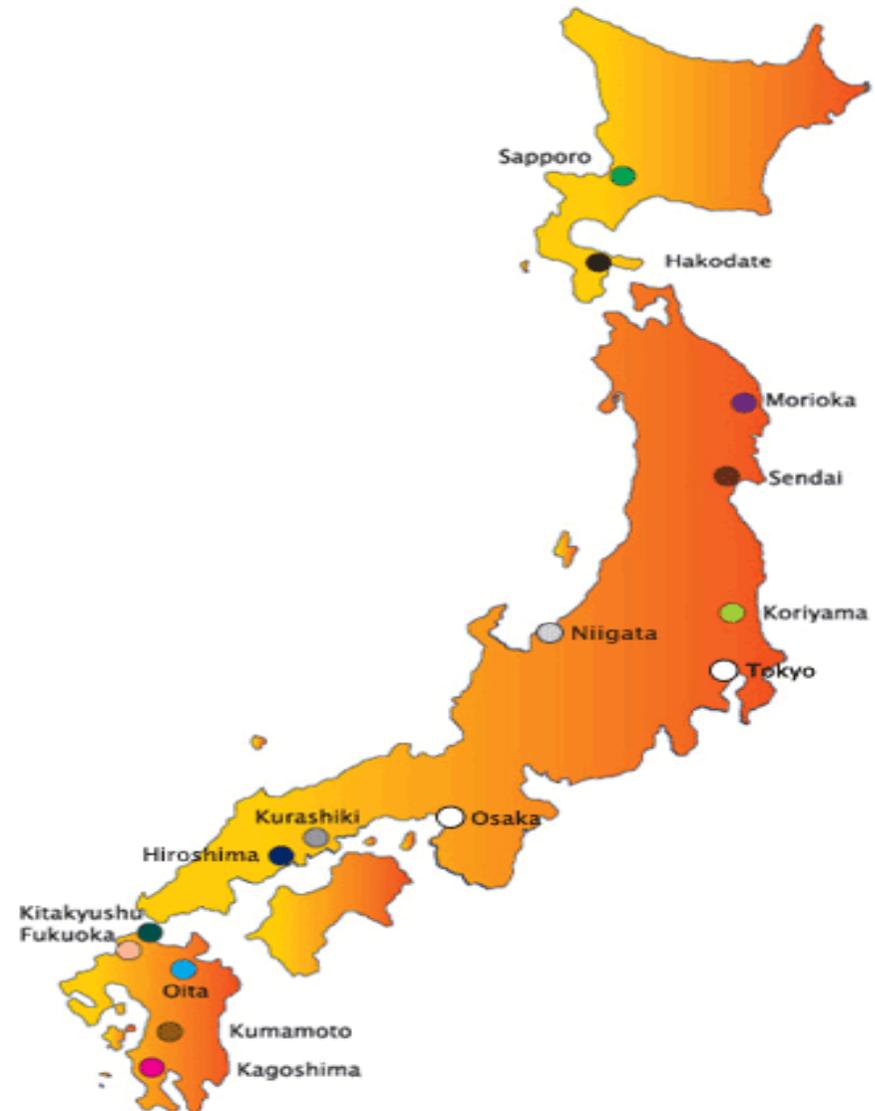
- Listed on SGX Mainboard in November 2007
- Only Singapore-listed REIT to offer access exclusively to Japanese residential properties
- Properties targeted at mass market tenants in regional cities
- Size of portfolio: JPY 33.0 billion (S\$503.8 million)<sup>1</sup>
- Saizen REIT has a corporate family rating of B1, with a stable outlook (rated by Moody's)

*1. Computed based on an exchange rate of JPY 65.5 : S\$1.00 as at 30 June 2011*

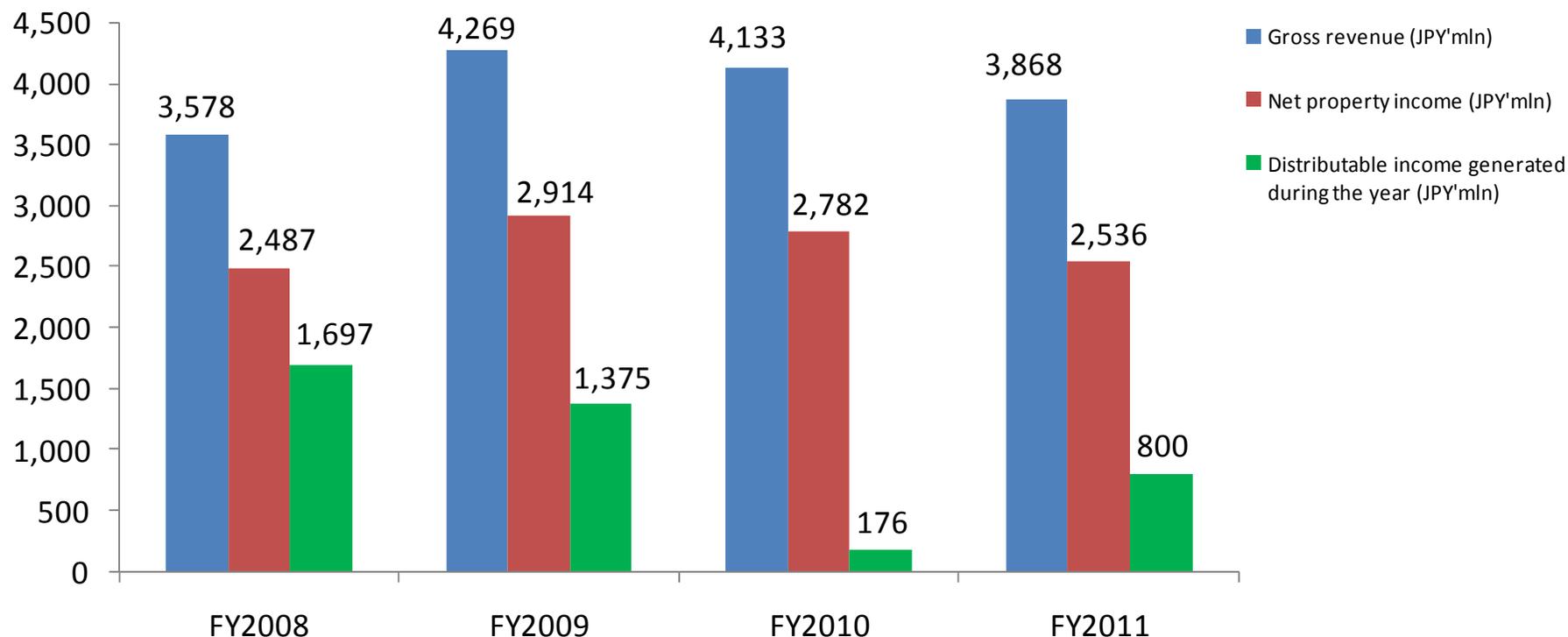
# Well-diversified Portfolio

Location	Portfolio Value Breakdown (%)
Sapporo	24.8
Kumamoto	17.1
Hiroshima	16.8
Sendai	12.2
Kitakyushu	10.0
Fukuoka	5.7
Kagoshima	3.9
Koriyama	3.1
Niigata	2.8
Morioka	1.6
Oita	0.8
Hakodate	0.7
Kurashiki	0.4

*Based on property valuations as at 30 Jun 2011*

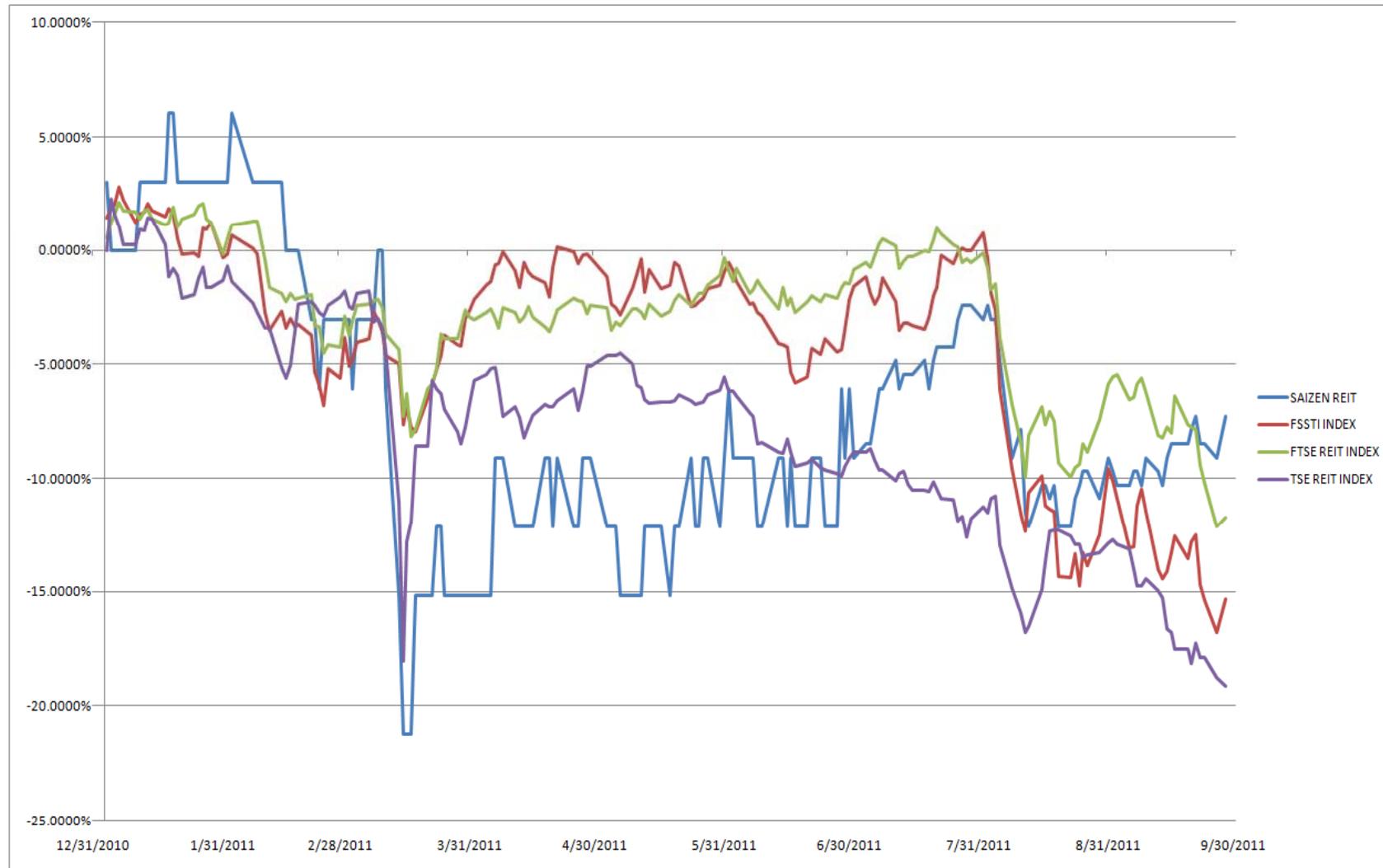


# Financial Performance



- Distributable income generated in FY2009, FY2010 and FY2011 were affected by cash deployed for loan repayments
- Distributable income generated in FY2010 and FY2011 were also affected by property sales and the penalty interest paid on the loan of YK Shintoku

# Unit Price Performance



# Distributions

- DPU of 0.50 cents paid for 2H FY2011 (January 2011 to June 2011)
  - Cumulative DPU in FY2011 of 1.02 cents
  - Annual yield of 6.9% (based on unit price of S\$0.148)
  
- Semi-annual distributable income from operations:
  - JPY 402.0 million as at 30 June 2011
  - JPY 383.9 million as at 31 December 2010
  - JPY 176.1 million as at 30 June 2010

# Distributions

- Factors affecting DPU for FY2012:
  - Contributions from YK Shintoku (previously used for interest payments and loan repayment)
  - Amortisation and interest expenses relating to new financing, if any
  - Pace of deployment of recent loan proceeds
  - Dilutive effects from conversion of warrants
  
- Expect stable level of distribution in FY2012

# YK Shintoku

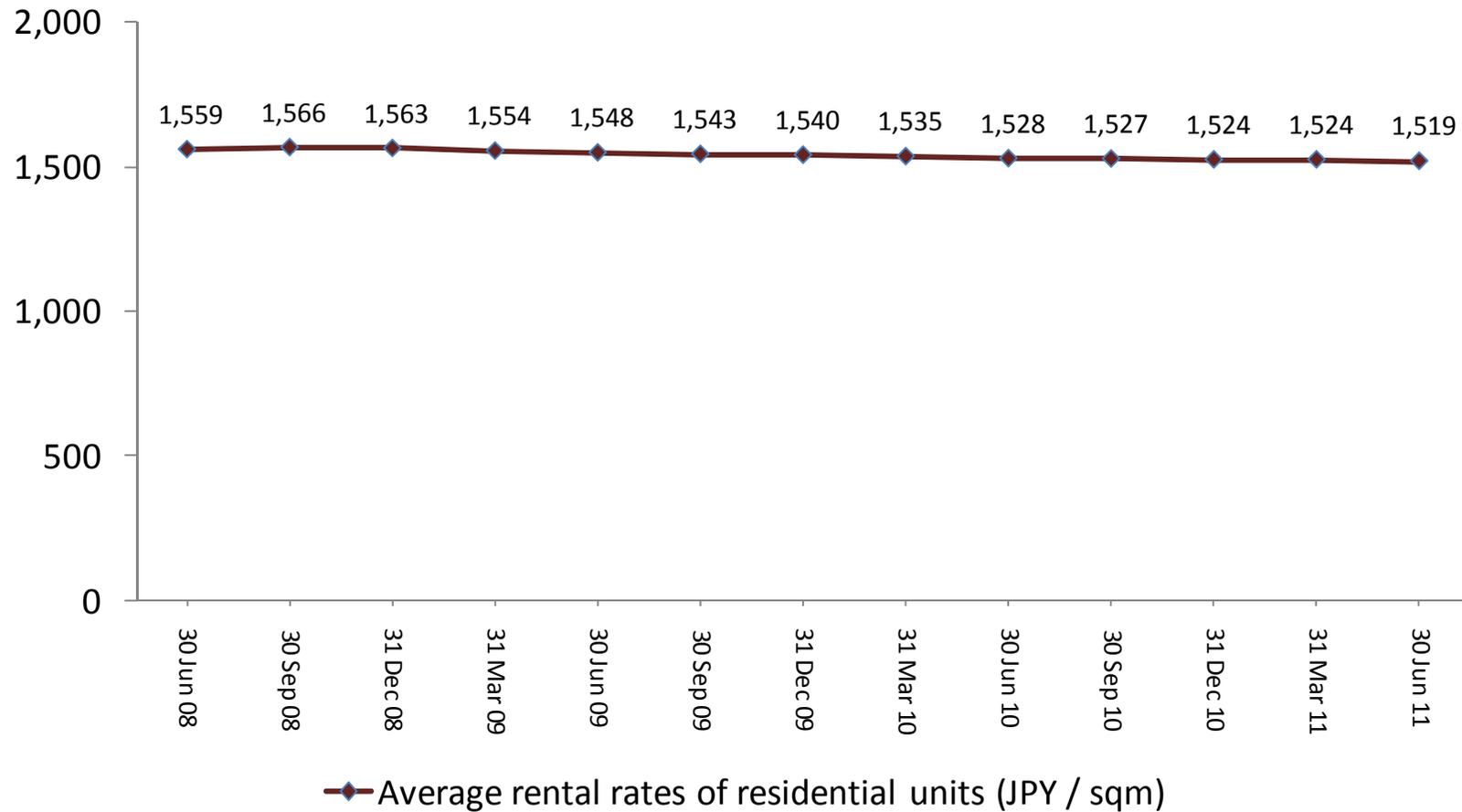
- The loan of YK Shintoku was fully repaid on 31 May 2011
- Repayment of last CMBS loan in full
  - Burden of penalty interest charges lifted
  - Sale of 31 properties in FY2011 (from 3 TK operators) to fund loan repayment
  - YK Shintoku's cash flow available for distributions
- Full impact on contributions from YK Shintoku will be seen from the first quarter of the next financial year (July 2011 to September 2011), and this will in turn have a corresponding effect on the distributions to be declared for the first half of the next financial year (July 2011 to December 2011)

# Property Operations

- Property operations remain stable
- Average tenant turnover at 21% in FY2011 vs 20% in FY2010
- Overall rental reversion of new contracts entered into in FY2011 was marginally lower by about 4.1% (FY2010: lower by about 4.3%) from previous contracted rates

# Stable Rental Rates

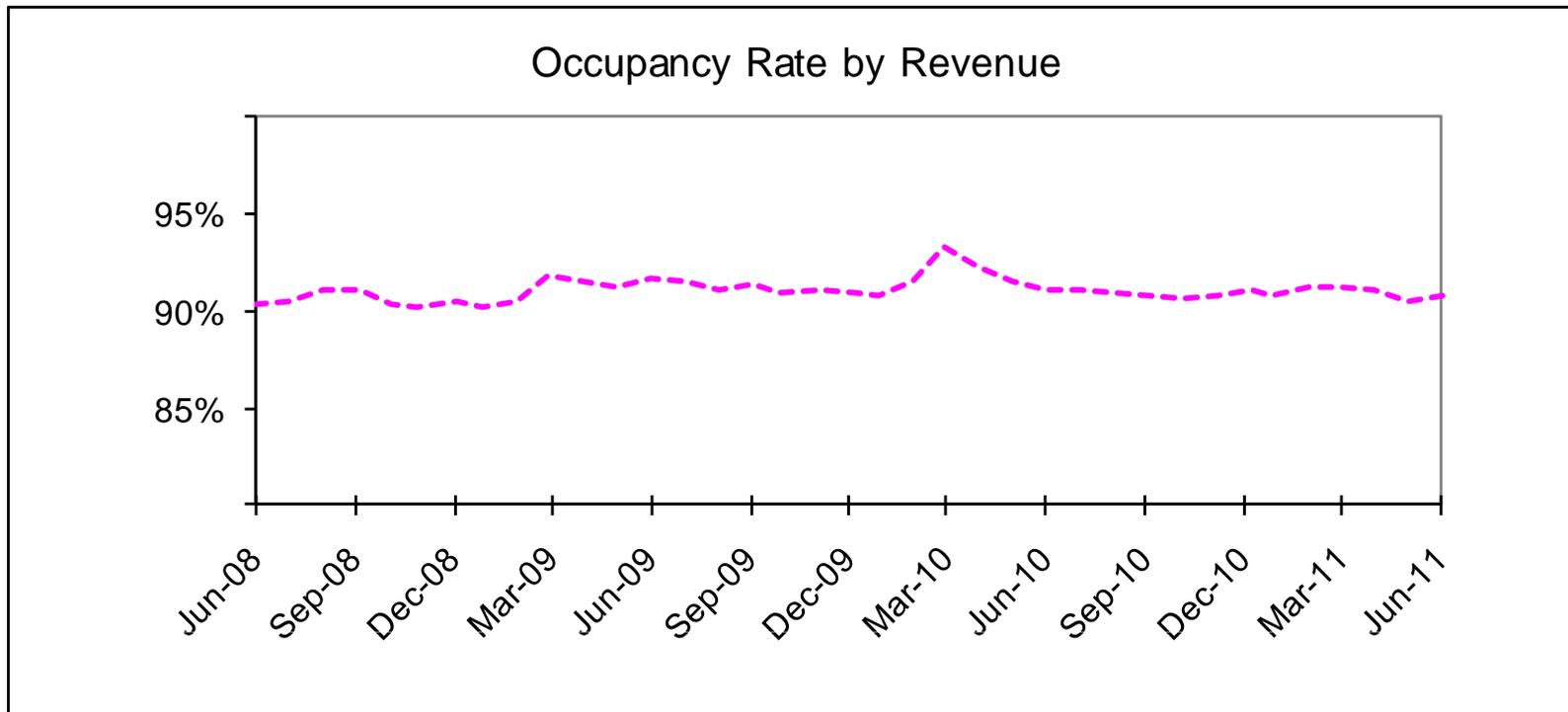
- Average rental rates maintained above JPY 1,500 / sqm (approx. S\$23 / sqm) since Jun 08



Note: For consistency, rental rates across selected timeline are based on a same population of 130 properties.

# Occupancy Rates

- Average occupancy rates remained stable above 90% since Jun 08



# EPS growth in Japan

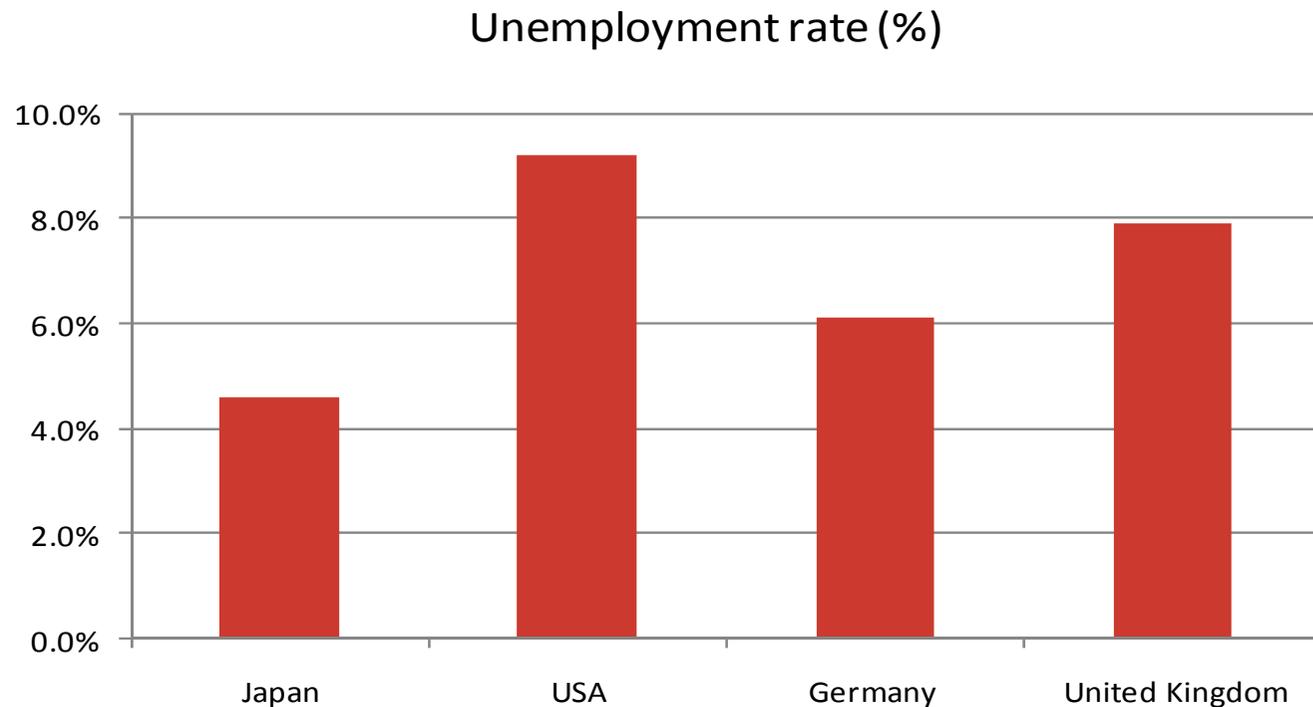
- EPS Growth in Japan, for the past decade, has outperformed other developed markets, such as USA
  - Consolidated EPS growth of Japanese corporations amounted to 10.7% compounded per annum<sup>1</sup>
  - USA corporations' EPS growth as measured by S&P 500 Index amounted to 4.5% per annum<sup>2</sup>

1. Source: Tokyo Stock Price Index

2. Source : Bloomberg

# Unemployment rate in Japan

- Japan's unemployment rate as compared to other developed markets in June 2011:



## 11 March 2011 Earthquake

- 28 properties in affected cities of Sendai, Morioka and Koriyama in the north-eastern region of Japan
- Only minor damage
- Overall occupancy rates remain stable
- Repair expenses expected to amount to no more than JPY 120 million
  - Repair cost is fully covered and funded by capex reserves
  - About JPY 78 million spent in FY2011
  - Repairs expected to be completed by end of the year
- No properties within the current nuclear evacuation zone; closest properties more than 50 km away

# Debt Profile

Company	Source of Debt	Maturity Date	Prevailing Interest Rate (%)	Loan Amount (JPY'mln)	Property Value (JPY'mln)	Loan-to-value (%)
GK Chosei	Unencumbered	-	-	-	540.0	-
YK Shintoku	Unencumbered	-	-	-	4,058.7	-
<b>Sub-total for unencumbered properties</b>					<b>4,598.7</b>	
GK Choan and YK Kokkei	Societe Generale	Jun 2013	3.8275	5,557.0	11,366.6	48.9
YK Shinzan	Tokyo Star Bank	Mar 2015	3.75625	1,850.0	4,473.7	41.4
YK Shingen and YK Keizan	Tokyo Star Bank	Sep 2016	3.2175	4,000.0	8,456.4	47.3
YK JOF	Mizuho Bank	Sep 2019	2.69	799.8	1,927.0	41.5
GK Chogen	The Higo Bank	Mar 2023	3.075	282.5	638.0	44.3
GK Gyokou	Kumamoto Dai-ichi Shinkin Bank	Feb 2031	3.50	487.2	1,128.0	43.2
GK Gyosei	Hiroshimashi Credit Cooperative	Aug/Oct 2041	2.50	215.6	407.0	53.0
<b>Grand Total</b>				<b>13,192.1</b>	<b>32,995.4</b>	

# Financing update

- Lending environment in Japan appears to be generally positive, especially for the residential property asset class
- Obtained new borrowings of about JPY 4.1 billion since the start of the new financial year FY2012
- Management Team is carrying out a review of Saizen REIT's overall financing requirements and the deployment of loan proceeds
  - Refinancing plans for existing loans
  - Possible deployment of loan proceeds for property acquisitions
  - Possible offsetting of loan amortisation with new borrowings

# Upcoming Plans

- Explore acquisition opportunities
  - Improve and re-balance portfolio mix to enhance quality and yield
  - Exploring investment opportunities (including Tokyo)
  
- Asset enhancement activities
  - Conduct renovations, especially to older properties, with the aim of improving rental and occupancy rates
  
- Enhance unitholder value
  - Explore other means to enhance unitholder value, such as assessing the viability of a unit buy-back program

# Key Financial Information

<b>Number of Units in Issue as at 21 October 2011</b>	1,230,103,481
<b>Outstanding Warrants as at 21 October 2011</b>	216,253,936
<b>NAV attributable to Unitholders as at 30 June 2011 <sup>1</sup></b>	S\$378.5 million
<b>Unencumbered properties as at 30 June 2011 <sup>1</sup></b>	S\$203.5 million
<b>Market capitalisation as at 30 June 2011 <sup>2</sup></b>	S\$183.2 million
<b>NAV per Unit as at 30 June 2011 <sup>1</sup> / Adjusted for warrants <sup>1 3</sup></b>	S\$0.32 / S\$0.29
<b>EBITDA <sup>4</sup> / Interest expenses for FY2011 <sup>5</sup></b>	3.1 times
<b>Gearing as at 30 June 2011 <sup>6</sup> / Adjusted for warrants <sup>3</sup></b>	24% / 20%
<b>Unit Price (closing price as at 21 October 2011)</b>	S\$0.148
<b>52 week high / low</b>	S\$0.180 / S\$0.125

1. Computed based on an exchange rate of JPY 65.5 : S\$1.00 as at 30 June 2011

2. Computed based on 1,182,249,611 Units in issue and unit price of S\$0.155 as at 30 June 2011.

3. Computed based on a total of 1,446,357,417 Units after conversion of all warrants outstanding, and assuming all warrant proceeds are used to repay borrowings

4. EBITDA comprises net income from operations and excludes interest expenses, amortisation of loan commissions, losses on divestment of properties and fair value gains/losses.

5. This computation includes default interest on the loan of YK Shintoku, which is accrued at rate of 7.07% per annum.

6. Gearing = Total borrowings / Total assets; estimated based on financial position of Saizen REIT as at 30 June 2011



**Saizen**REIT) 最善

**Thank You**

## Minor damages to the Saizen REIT's properties in Sendai

