

**Saizen**REIT) 最善

**Presentation  
FY2012 AGM**



**October 2012**

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

# Disclaimer

- 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.

# FY2012 Overview

- Cumulative FY2012 DPU of 1.24 cents<sup>1</sup> (FY2011: 1.02 cents)
- Acquired 4 properties and obtained 7 new loans
- Unit buy-back program
  - Announced intention to pursue unit buy-back mandate in May 2012
  - In September 2012, Saizen REIT became the first Singapore-listed REIT to conduct a unit buy-back transaction
- Property valuations stabilised
- Expiry of warrants in June 2012
- Upgrade of corporate family rating to Ba3 from B1

**Note:**

1. Cumulative FY2012 DPU comprises 1H FY2012 DPU of 0.61 cents and 2H FY2012 DPU of 0.63 cents.

# Saizen REIT In Brief

- 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 as at 30 June 2012: JPY 36.4 billion
- Saizen REIT has a corporate family rating of Ba3, with a stable outlook (rated by Moody's)

# Well-diversified Portfolio

Location	Portfolio distribution by revenue (%)
Sapporo	25.3
Kumamoto	17.5
Hiroshima	13.4
Sendai	12.3
Kitakyushu	9.1
Fukuoka	5.2
Tokyo	5.2
Kagoshima	3.4
Koriyama	2.7
Niigata	2.3
Morioka	1.5
Oita	0.9
Hakodate	0.8
Kurashiki	0.4

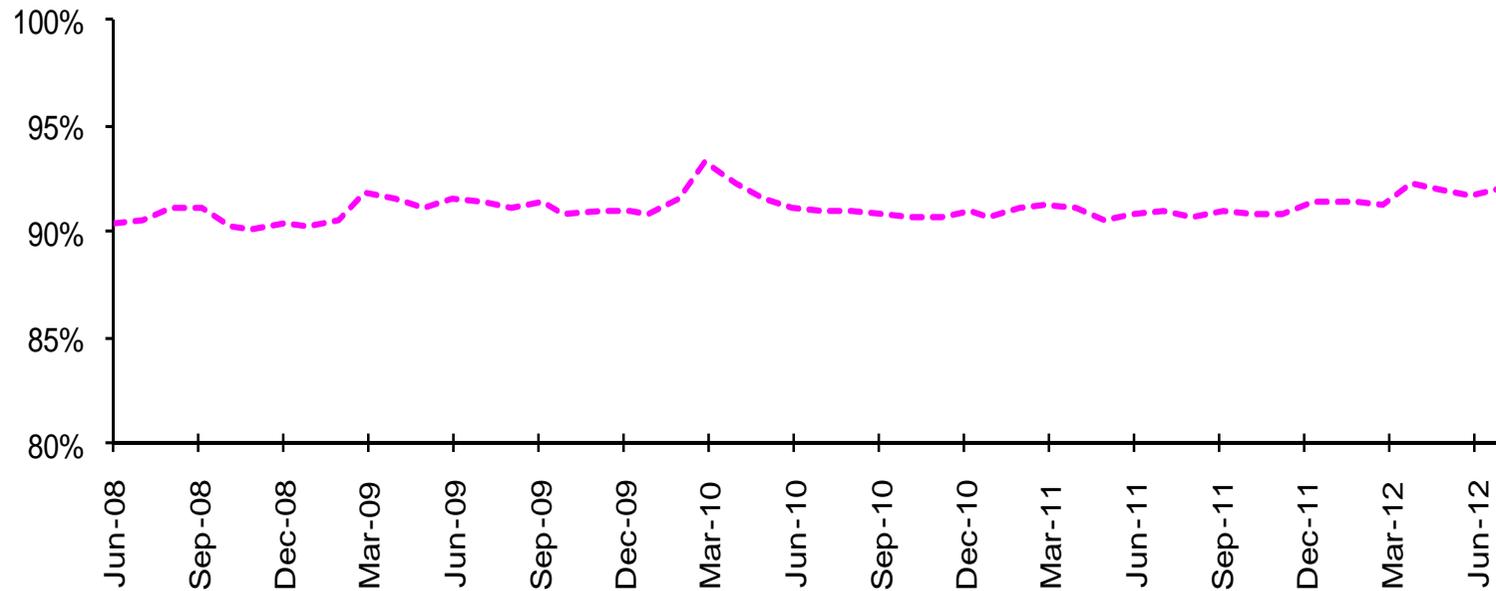


# Property Operations

- Property operations remain stable
- Acquired 4 properties in FY2012, with a further 2 acquired in July/August 2012
- Average occupancy rate was 91.4% in FY2012 as compared to 90.9% in FY2011
- Average turnover rate was 18% in FY2012 as compared to 21% in FY2011
- Revenue and net property income decreased year-on-year for FY2012, due mainly to the sale of 31 properties FY2011
- Net income from operations increased by 3.1% in FY2012, due mainly to lower interest expenses

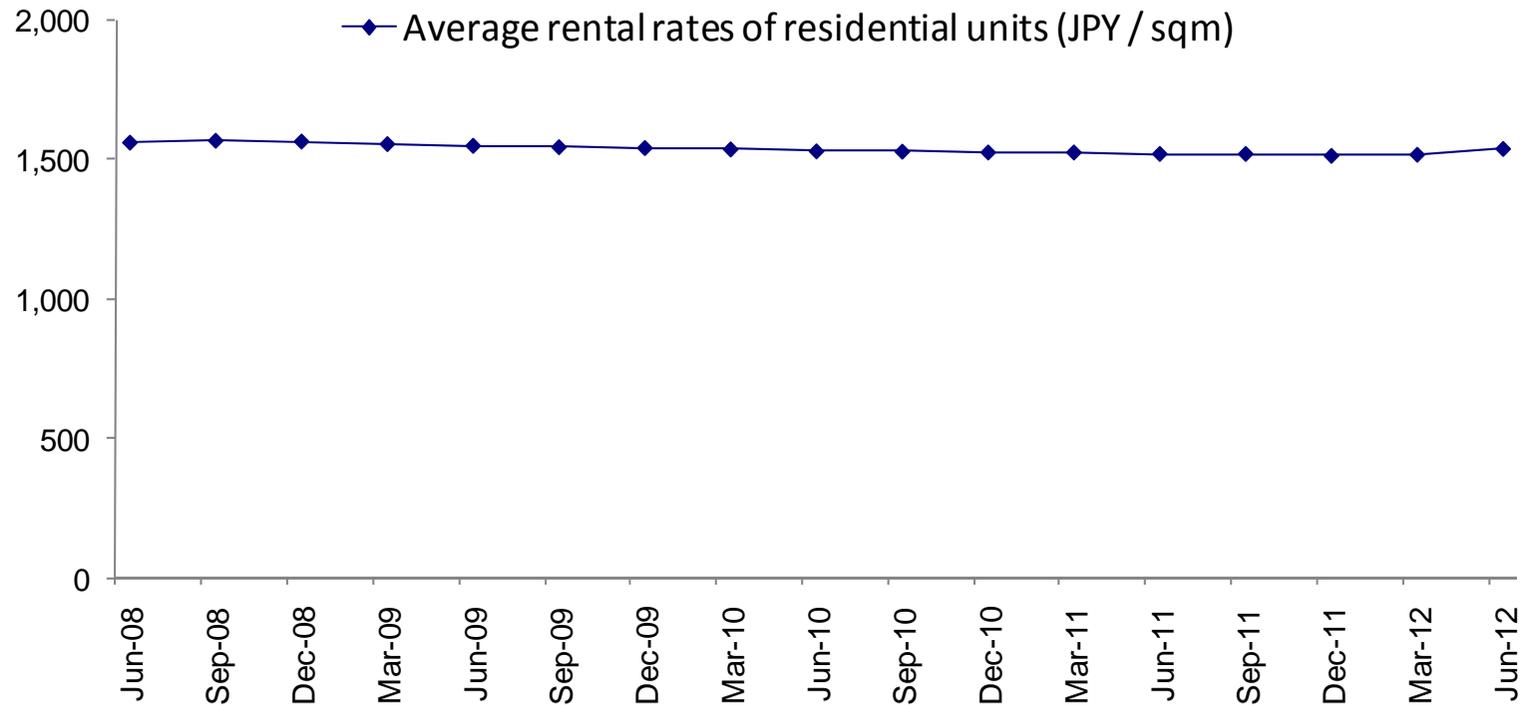
# Occupancy Rates

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



# Stable Rental Rates

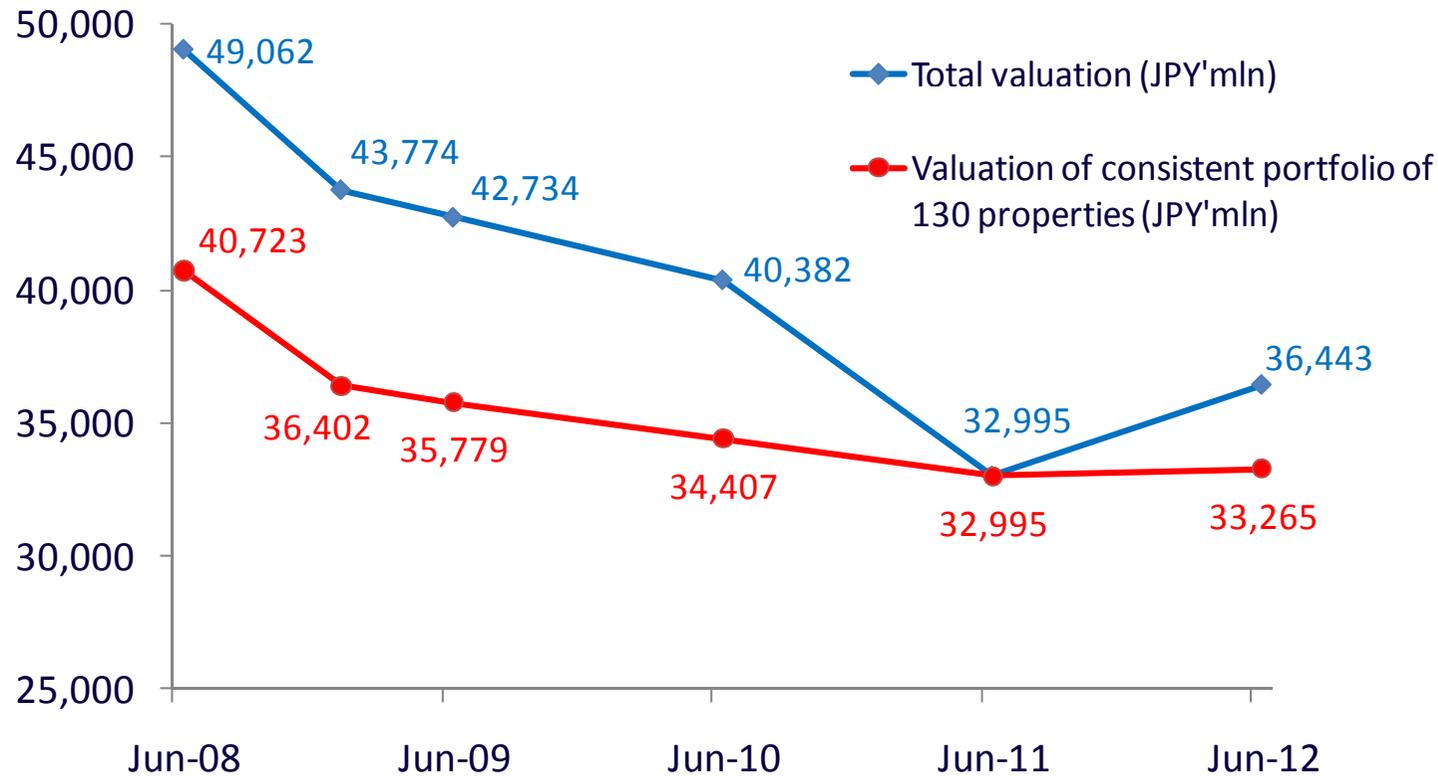
- Average rental rates maintained above JPY 1,500 / sqm (approx. S\$23 / sqm) since Jun 08



# Acquisition Highlights

	<b>Flour Mansion Jyosei</b>	<b>The Palms Denenchofu</b>	<b>AMS Hatchobori I</b>	<b>Bibress Tsukisamu Chuo Station</b>	<b>Rise Yotsugibashi</b>	<b>Cosmo Reveur Sangenjaya</b>
						
<b>Location</b>	Kumamoto	Tokyo	Tokyo	Sapporo	Kumamoto	Tokyo
<b>Year built</b>	1999	2005	2004	2007	2012	1989
<b>Purchase price (JPY'mil)</b>	901.7	559.6	1,117.7	530.7	428.0	590.0
<b>Valuation (JPY'mil)</b>	916.0	562.0	1,150.0	550.0	420.0	593.0
<b>NOI yield (at acquisition)</b>	8.0%	5.3%	5.7%	7.2%	6.4% (expected)	4.8%
<b>Net lettable area (sqm)</b>	5,889	760	1,932	2,781	1,812	1,189

# Property Valuations



- The total number of properties decreased from 166 as at 30 June 2008 to 130 as at 30 June 2011, and increased to 134 as at 30 June 2012
- Based on a consistent portfolio of 130 properties, valuations decreased between 2008 and 2011, and increased slightly in 2012

# Financing Developments

- Re-leveraging of portfolio with the intention to increase distributable income
  - Current net gearing is low at 24% – optimal level is targeted at about 35% to 40%
  - 7 new loans, amounting to an aggregate of JPY 10.4 billion, obtained since July 2011
  - More confidence on access to financing, including those with longer tenures and lower principal amortisation
  - New loan proceeds, if any, will be made available for property acquisitions

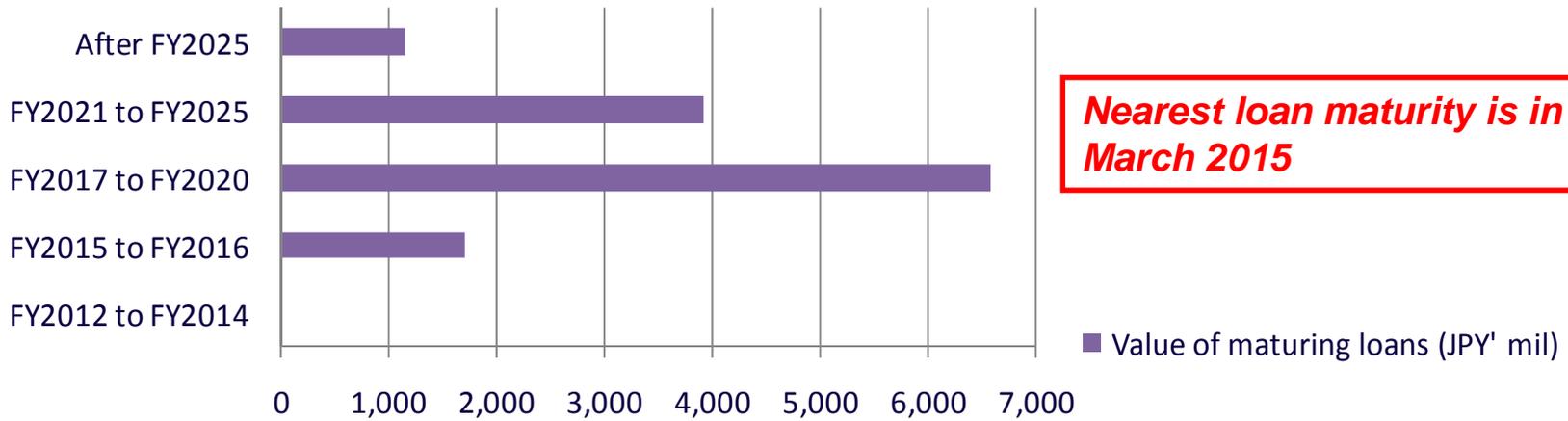
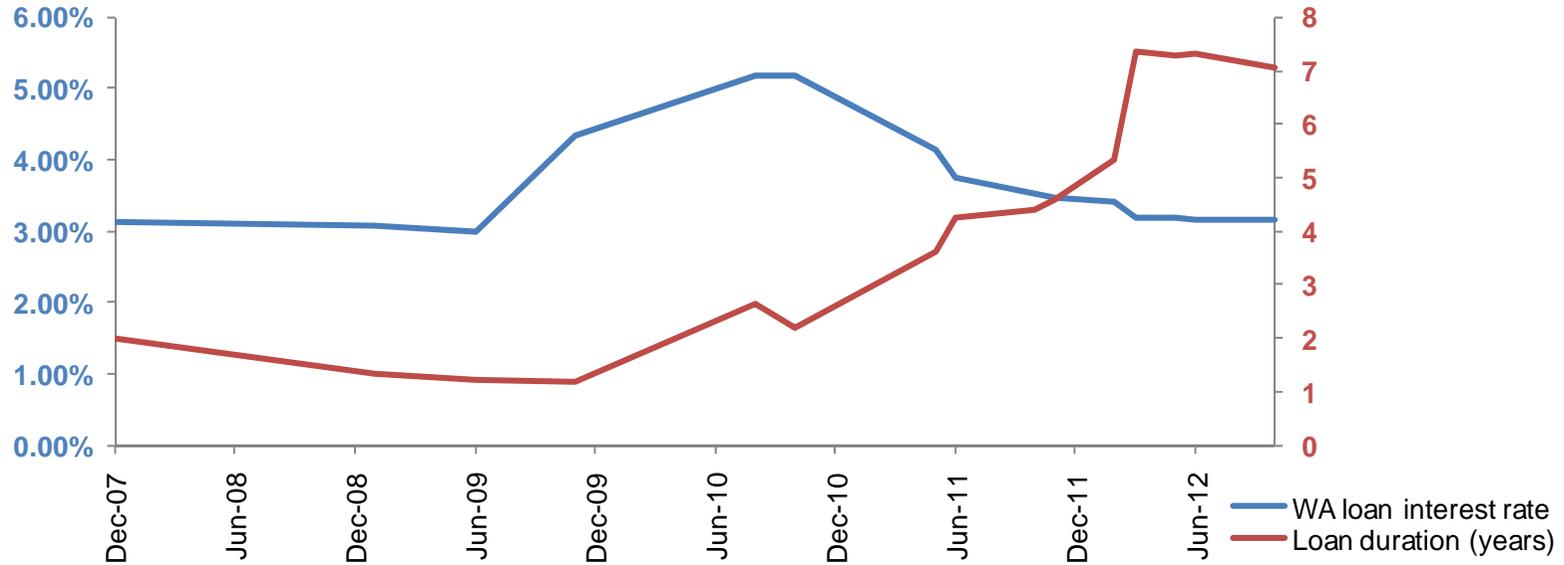
# Debt Profile

Company	Source of Debt	Maturity Date	Prevailing Interest Rate (%)	Loan Amount (JPY'mln)	Property Value (JPY'mln)	Loan-to-value (%)	Annual loan amortisation (JPY'mln)
YK Kokkei	<i>Unencumbered</i>				2,402.6		
GK Chogen	<i>Unencumbered</i>				420.0		
YK Shinzan	Tokyo Star Bank	Mar 2015	3.93125 <sup>1</sup>	1,704.3	4,393.1	38.8	100.0
YK Shingen and YK Keizan	Tokyo Star Bank	Sep 2016	3.3925 <sup>1</sup>	3,882.0	8,509.2	45.6	120.0
YK Shintoku And GK Chosei	Tokyo Star Bank	Nov 2016	3.3775 <sup>1</sup>	1,955.0	4,664.2	41.9	60.0
YK JOF	Mizuho Bank	Sep 2019	3.19 <sup>1</sup>	699.8	1,972.0	35.5	100.1
GK Choan	Mizuho Bank	Mar 2022	3.21 <sup>1</sup>	2,925.0	10,228.7	28.6	150.0
GK Tosei	Mizuho Bank	Jun 2022	3.11 <sup>1</sup>	693.0	1,712.0	40.5	28.0
GK Chogen	The Higo Bank	Mar 2023	3.075	261.7	635.0	41.2	20.7
GK Gyokou	Kumamoto Dai-ichi Shinkin Bank	Feb/Oct 2031	3.50/3.35	945.0	2,045.0	46.2	50.4
GK Gyosei	Hiroshimashi Credit Cooperative	Jul/Sep 2041	2.50	209.0	401.0	52.1	7.2
<b>Grand Total</b>				<b>13,274.8</b>	<b>37,382.8</b>		<b>636.4</b>

**Note:**

1. Includes annual guarantor fees.

# Debt Profile



**Nearest loan maturity is in March 2015**

# Key Financial Information

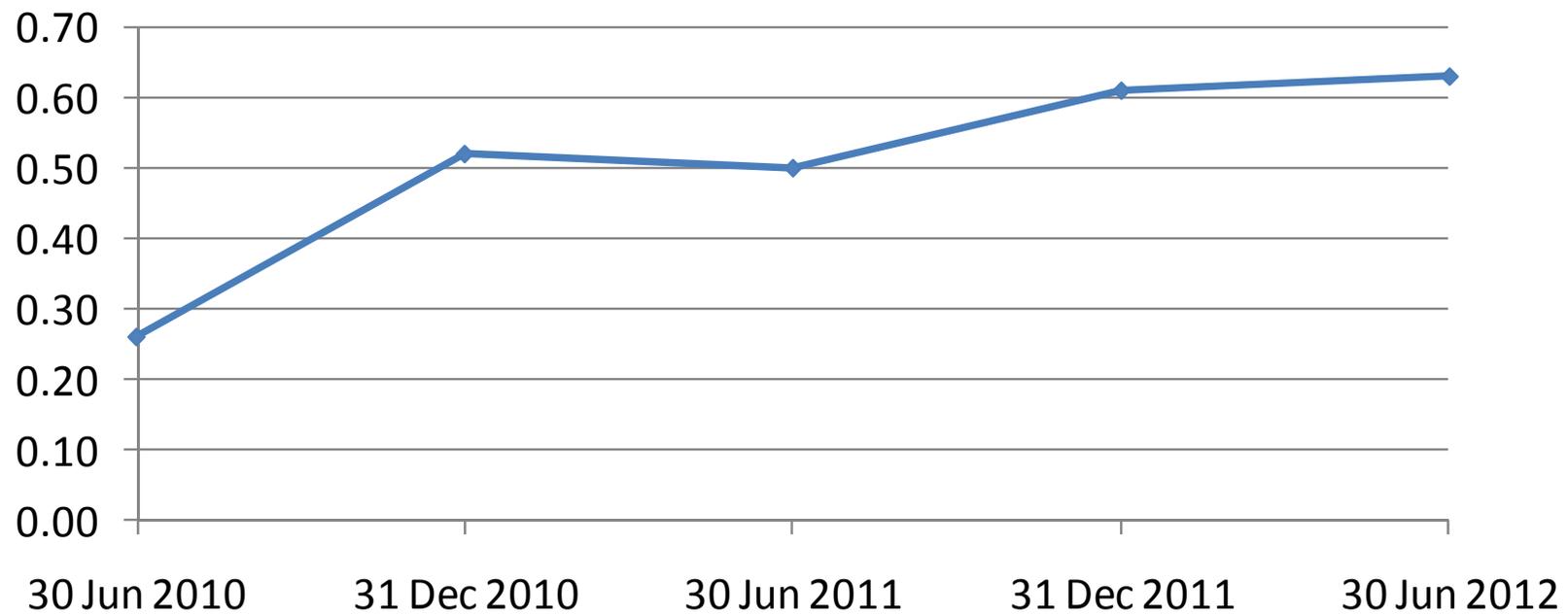
<b>Number of Units in Issue as at 16 October 2012</b>	1,422,473,795
<b>NAV attributable to Unitholders as at 30 June 2012 <sup>1</sup></b>	S\$434 million
<b>NAV per Unit as at 30 June 2012 <sup>1</sup></b>	S\$0.30
<b>Market capitalisation as at 30 June 2012 <sup>2</sup></b>	S\$207 million
<b>4Q FY2012 interest cover ratio</b>	6.0 times
<b>Gearing as at 30 June 2012 <sup>3</sup></b>	31%
<b>Net gearing as at 30 June 2012 <sup>4</sup></b>	24%
<b>Unit Price (closing price as at 16 October 2012)</b>	S\$0.168
<b>52 week high / low</b>	S\$0.170 / S\$0.127

**Notes:**

1. Computed based on an exchange rate of JPY 62.6 : S\$1.00 as at 30 June 2012.
2. Computed based on 1,424,383,795 Units in issue and Unit price of S\$0.145 as at 30 June 2012.
3. Gearing = Total borrowings / Total assets.
4. Net gearing = Total net borrowings (net of cash) / Total value of Saizen REIT's investment properties.

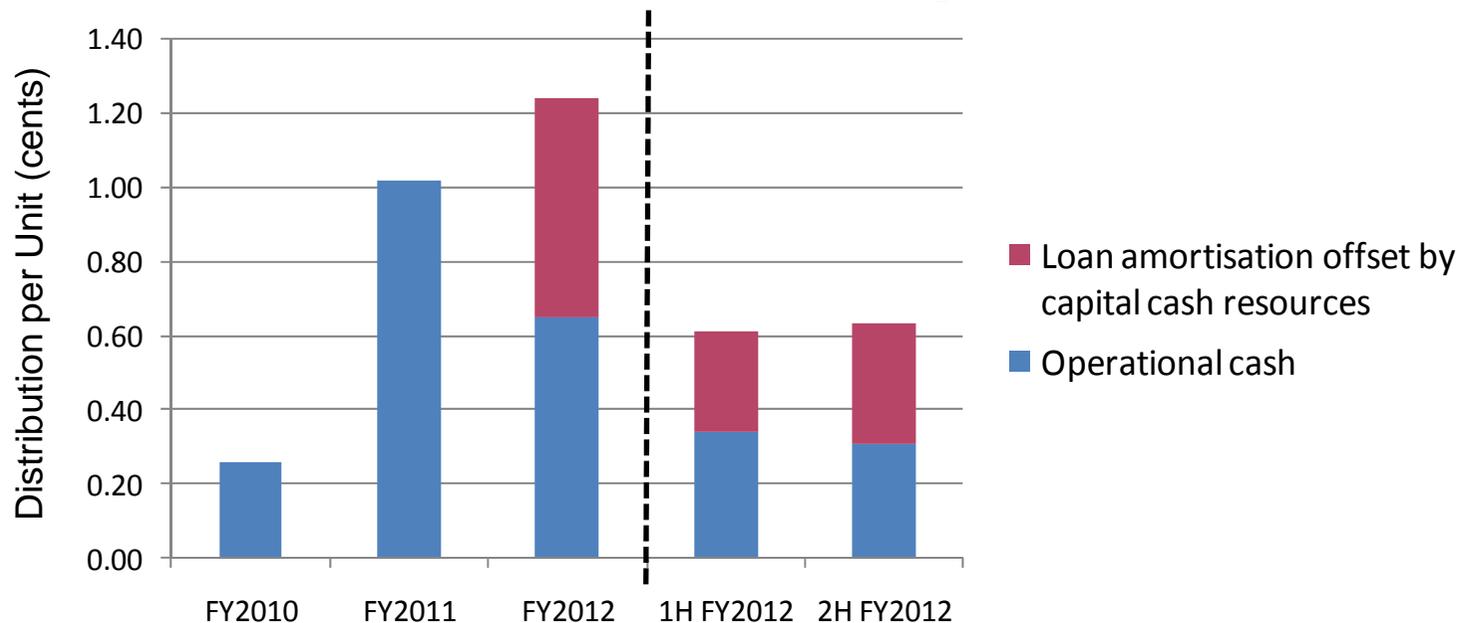
# Distribution

## Distribution per Unit (Singapore cents)



# Distribution

- It is Saizen REIT's intention to utilise, when possible, undeployed capital cash resources such as proceeds from new borrowings and/or warrant proceeds to offset loan amortisation, thereby effectively making available cash from operations for distributions
- Going forward, the ability to offset such loan principal repayment will depend on the availability of such cash resources
- At present, loan amortisation amounts to approximately JPY 637 million per annum
- Currently, Saizen REIT has unencumbered properties valued at approximately JPY 2.8 billion available to be used as collateral for new financing



# Factors Affecting Distribution

- Distribution may be affected by the following:
  - Gearing up to 35%
  - Deployment of existing cash, potential loan proceeds from gearing up, and potential warrant proceeds towards property acquisitions
  - Availability of capital cash resources to offset loan amortisation (for example, the use of capital cash resources to offset loan principal repayment contributed to 0.32 cents out of the 2H FY2012 DPU of 0.63 cents)

Gearing up and property acquisition	Potential as at 31 March 2012	Achieved as at 16 October 2012
Increase in portfolio size	JPY 5.2 billion	JPY 2.7 billion
Increase in annual net operating income <sup>1</sup>	JPY 375 million	JPY 189 million

1. Before taking into account REIT-level expenses and financing costs.

**Important:**

Please be reminded that the information above is based on management's estimates and purely for illustration purposes only. It assumes, amongst others, properties acquired can achieve on average net operation yields of 7%, that loans can be obtained at LTV of 40%, and all warrant proceeds are deployed towards acquisitions. Actual outcomes may differ materially from the information presented. For example, there is no assurance that Saizen REIT will be successful in obtaining any new financing, that property operations and the property market will remain stable, or that Saizen REIT will be successful in acquiring new properties. It should also be noted that warrant proceeds may be deployed towards the buy-back of Units (the amount is not known at this point in time) instead of acquisitions, thereby resulting in a reduction in the potential portfolio size and net operating income.

# Property Acquisition vs Unit Buy-Back<sup>1</sup>

- Generally, the positive effects on DPU from Unit buy-backs are greater than those from the acquisition of properties when the price of Saizen REIT Units are lower.
- Factors affecting the acquisition vs buy-back decision include:
  - Economic conditions and Unit price fluctuations
  - Property market conditions and the merits of property acquisition opportunities
  - Unit buy-backs will depend on the availability of capital and/or profit
  - Property acquisitions will depend on the availability of proceeds from borrowings and/or other cash resources
- Growth in portfolio size via property acquisitions may offer benefits in areas such as banking relationships and the credit rating of Saizen REIT.

**Note:**

1. *The Unit buy-back mandate is subject to Unitholders' approval at an Extraordinary General Meeting to be held on 24 August 2012. Please refer to Saizen REIT's circular dated 31 July 2012 for further information on the Unit buy-back mandate.*

# Unit Buy-Back Activity

## Unit buy-back activity between 24 August 2012 and 16 October 2012

Number of Units bought back	3,510,000
Highest price paid per Unit	S\$0.168
Lowest price paid per Unit	S\$0.164
Total consideration (incl. brokerage, GST etc.)	S\$582,898.60



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**Thank You**