



SaizenREIT 最善
www.saizenreit.com.sg

***FY2007/08
Financial Results Presentation
27 August 2008***

***Prepared by Japan Residential Assets Manager Limited
(Manager of Saizen REIT)***

Disclaimer

- The value of units (the “**Units**”) of Saizen Real Estate Investment Trust (“**Saizen REIT**”) and the income derived from them, if any, may fall or rise. Units are not obligations of, deposited 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.

Agenda

	Page
• Key Highlights in FY2008	4
• Key Financial Information	7
• Portfolio Information	8
• Financial Performance	9
• Balance Sheet	16
• Capital Management	17
• Investment & Portfolio Highlights	19
• Asset Management Highlights	22
• Market Overview	23
• Outlook	24

Key Highlights in FY2008

➤ **Obtained new sources of financing amidst global credit crisis**

- Successfully obtained loans from three new “balance sheet” lenders, including two Japanese financial institutions and a European bank, diversifying away from securitized financing
- Interest rates range from 2.67 to 3.92%

➤ **Continued yield accretive investments**

- Invested in 19 properties since listing, with total value of JPY7.26 billion or (S\$93.2 million)
- As at 30 June 2008, 166 properties across 13 regional cities in Japan

➤ **Rental operations remain healthy**

- JPY1.61 billion (about S\$21.1 million⁽¹⁾), representing 95% of total distributable income
- DPU of S\$4.67 cents

Note 1 : Based on S\$/JPY exchange rate of 76.63 hedged in respect of this distribution.

Key Highlights in FY2008

➤ **Prudent capital management**

- Relatively high interest coverage of 3.7 times
- Repaid JPY3.0 billion of the JPY7.62 billion loan which falls due in December 2009
- Gearing at 37%

➤ **Devised various leasing strategies and embarked on assets enhancement programs**

- Implementation of rental incentive schemes
- Repair, renovation and improvement of rooms, buildings and facilities
- Portfolio occupancy rate at 91.4%⁽¹⁾ as at 30 June 2008 vs. 89.4% as at 31 December 2007

Note 1 : Excluding Quest Tower Noboricho which was brand new and vacant when acquired on 31 May 2008. It is currently being leased up.

Key Highlights in FY2008

➤ Overall performance

- Amidst weakening global credit market and the recent bankruptcy of Japanese real estate companies and developers, asset prices and market liquidity have been adversely impacted
- Valuers in Japan have generally adopted higher capitalisation rates and more conservative operating assumptions
- Notwithstanding portfolio properties of Saizen REIT valued at JPY49.06 billion (\$629.78 million) as at 30 June 2008, representing revaluation loss of JPY4.66 billion (\$59.82 million), our operations remain stable and healthy

Key Financial Information

NAV per Unit as at 30 June 2008	JPY68.03 S\$0.87
Closing market price per Unit on 26 August 2008	S\$0.505
Distribution yield based on closing market price	9.2%
Discount to closing market price to NAV per Unit	42%
4Q FY2008 annualised net property income yield	6.0%
Impairment of account receivable as % of gross revenue	0.03%
Gearing	36.5%
Interest cover ratio	3.7 times

Portfolio Information

	FY2007	FY2008
No. of properties	132	166
No. of units:		
- Residential	4,541	5,995
- Commercial	90	112
- Parking	1,588	1,930
Allocation by no. of cities	12	13
Occupancy rate	90.8%	91.4%
	Book Value as at 31 March 2008 ⁽¹⁾	As at 30 June 2008 ⁽²⁾
Portfolio Value (JPY billion)	JPY53.49	JPY47.63
(S\$ million)	S\$686.66	S\$611.21



Overall portfolio value dropped about 11% due to the overall weakening market sentiment.

Notes:

1. There were 164 properties as at 31 March 2008.

2. There were 166 properties as at 30 June 2008, with total appraised value of about JPY49.06 billion (S\$629.78 million). For comparison purpose only, we have excluded the two investments we have completed in April and May 2008 respectively, which total appraised value of JPY1.43 billion (S\$18.42 million).

Financial Performance

FY2008 vs FY2007

	FY2008 ⁽¹⁾		FY2007 ⁽²⁾		% Change
	(JPY'000)	(S\$ '000)	(JPY'000)	(S\$ '000)	
Gross revenue	3,578,346	46,654	1,911,539	24,955	87.2%
Net property income	2,486,708	32,421	1,407,193	18,371	76.7%
Net income from operations	62,256	812	828,363	10,814	(92.5%)
Total return after income tax	(3,733,813)	(48,681)	2,057,532	26,860	
Basic earnings /(loss) per Unit	JPY(10.76) S\$(14.03) cents		JPY12.79 S\$16.70 cents		
Distribution per unit for the period ⁽³⁾	S\$4.67 cents		N/A		
Net asset value per Unit	As at 30 June 2008 JPY68.03 S\$0.87		As at 30 June 2007 JPY78.90 S\$0.98		

Notes:

1. There were 101 and 166 properties respectively at the start and end of FY2008

2. There were 62 and 101 properties respectively at the start and end of FY2007

3. The distribution income to Unitholders is based on 95% of the income available to Unitholders

Financial Performance

FY2008 vs FY2007 Financial Highlights

- Adoption of reverse acquisition accounting policy. As at 30 June 2007, the income statements comprised only the three TK operators of JHYP I; whereas as at 30 June 2008, the income statements comprised all the TK operators of Saizen REIT as well as Saizen REIT
- Decrease in operating income mainly due to a one-off IPO expenses, increase in finance costs and incurrence of Manager's management fee and other trust expenses

	FY2007	FY2008
	(JPY '000)	(JPY '000)
IPO expenses		(807,488)
Finance costs	(507,769)	(1,222,111)
- Interest expenses	(435,590)	(734,871)
- Amortisation of loan commission / swap breakage	(72,179)	(163,463)
- Exchange difference	--	(323,777)
Manager's management fee	--	(169,609)
Other trust expenses	--	(76,585)

Financial Performance

4Q FY2008 vs 3Q FY2008

	4Q FY2008 ⁽¹⁾		3Q FY2008 ⁽¹⁾		%Change
	(JPY'000)	(S\$ '000)	(JPY'000)	(S\$ '000)	
Gross revenue	1,053,229	13,520	1,054,522	13,537	(0.1)
Less: Property operating expenses	(320,986)	(4,120)	(343,015)	(4,403)	(6.4)
Net property Income	732,243	9,400	711,507	9,134	2.9
Other administrative expenses	(34,368)	(441)	(30,697)	(394)	12.0
Asset Manager's asset management fees	(7,151)	(92)	(7,964)	(102)	(10.2)
Interest expenses	(197,002)	(2,529)	(193,421)	(2,483)	1.9
Net income from operations	493,722	6,338	479,425	6,154	3.0

Note:

1. Based on 166 properties as at 30 June 2008 and 164 properties as at 31 March 2008
2. For performance review of property operations, income and expense items at Saizen REIT level were excluded

Financial Performance

4Q FY2008 vs 3Q FY2008 Financial Highlights

- The income statements for 3Q FY2008 and 4Q FY2008 comprised all the TK operators of Saizen REIT in existence at the relevant period
- Gross revenue remained stable and healthy at about JPY1.05 billion for 3Q FY2008 and 4Q FY2008
- Property operating expenses decreased slightly due to higher leasing commission

Financial Performance

FY2008 Performance vs Forecast

- **Higher POE mainly due to higher leasing and marketing expenses and higher repairing and renovation costs**
- **Higher other administrative expenses due to legal and professional fees relating to aborted acquisitions and refinancing exercises**
- **Higher interest income due to maintenance of high cash balance as the Manager has slowed down its investment pace since January 2008**
- **Higher other trust expenses due to: (i) accruals required for valuation exercises not provided for; and (ii) reclassification of acquisition fees to the Manager**
- **Finance costs comprises: (i) interest expenses, (ii) amortisation of loan commission; (iii) exchange losses; and (iv) other loan related fees**

	Actual FY2008⁽¹⁾ (JPY'000)	Forecast FY2008⁽²⁾ (JPY'000)	Variance (%)
Gross revenue	2,699,585	2,746,543	(1.7)
Property operating expenses (POE)	(830,772)	(786,805)	5.6
Net property income	1,868,813	1,959,738	(4.6)
Other administrative expenses	(125,176)	(35,865)	>100
Interest income	25,594	9,784	>100
Manager's management fee	(169,609)	(178,495)	(5.0)
Asset Manager's asset management fee	(18,302)	(26,348)	(30.5)
Trustee fee	(11,613)	(9,434)	23.1
Other trust expenses	(73,741)	(32,609)	>100
Finance costs	(961,489)	(667,494)	44.0
IPO expenses	(807,488)	(864,384)	(6.6)
Net (loss) / income from operations	(273,011)	154,893	--

Notes:

1. The actual period for FY2008 is from 9 November 2007 to 30 June 2008
2. The forecast period for FY2008 is from 5 November 2007 to 30 June 2008, as disclosed in the Prospectus of Saizen REIT dated 29 October 2007

Financial Performance

FY2008 Performance vs Forecast

- Leasing and rental operations remain stable
- Cashflow is on track to support dividend payout as originally projected
- In view of the credit environment, the management team of Saizen REIT has suspended its acquisition plans to conserve cash and financial flexibility
- Priority is given to sound financial management during times of uncertainty

Financial Performance

Distribution Details

Stock counter	Distribution Period	Distribution per Unit
SaizenREIT	9 November 2007 – 30 June 2008	S\$4.67 cents

Distribution Timetable

Ex-date	Tuesday, 9 September 2008
Books closure date	Thursday, 11 September 2008, 5:00 p.m.
Distribution payment date	Friday, 26 September 2008

Balance Sheet

	As at 30 June 2008		As at 30 June 2007	
	(JPY'000)	(S\$'000)	(JPY'000)	(S\$'000)
Total Assets	57,459,207	737,602	32,542,988	417,753
Cash at bank	5,609,118	72,004	754,765	9,689
Borrowings				
- Current	5,314,479	68,222	--	--
- Non-current	19,472,617	249,969	18,738,921	240,551
Total net assets	30,693,073	394,006	12,689,730	162,898
Total liabilities	26,766,134	343,596	19,853,258	254,856
Aggregate leverage	37% ⁽¹⁾		57% ⁽¹⁾	

Gearing level remains prudent.
A comfortable margin is maintained for satisfying all loan obligations.

Note 1 : Based on net borrowings / value of investment properties, where net borrowings being equal to total borrowings minus net cash (cash at bank plus deposit with cash management agents less rental deposits and other current liabilities).

Capital Management

New Sources of Financing

- In April and May 2008, successfully obtained loans from local Japanese institutions amounted to total JPY830 million (\$10.7 million), with loan term of 15-year and 3-year respectively
- End of July 2008, entered into loan agreement with a European Bank for a 3-year term loan amounted to JPY5.9 billion (\$75.7 million)
- All new loans represented new sources of financing for Saizen REIT
- Interest rates range from 2.67% to 3.92%
- LTV from 45% to 70%

Capital Management

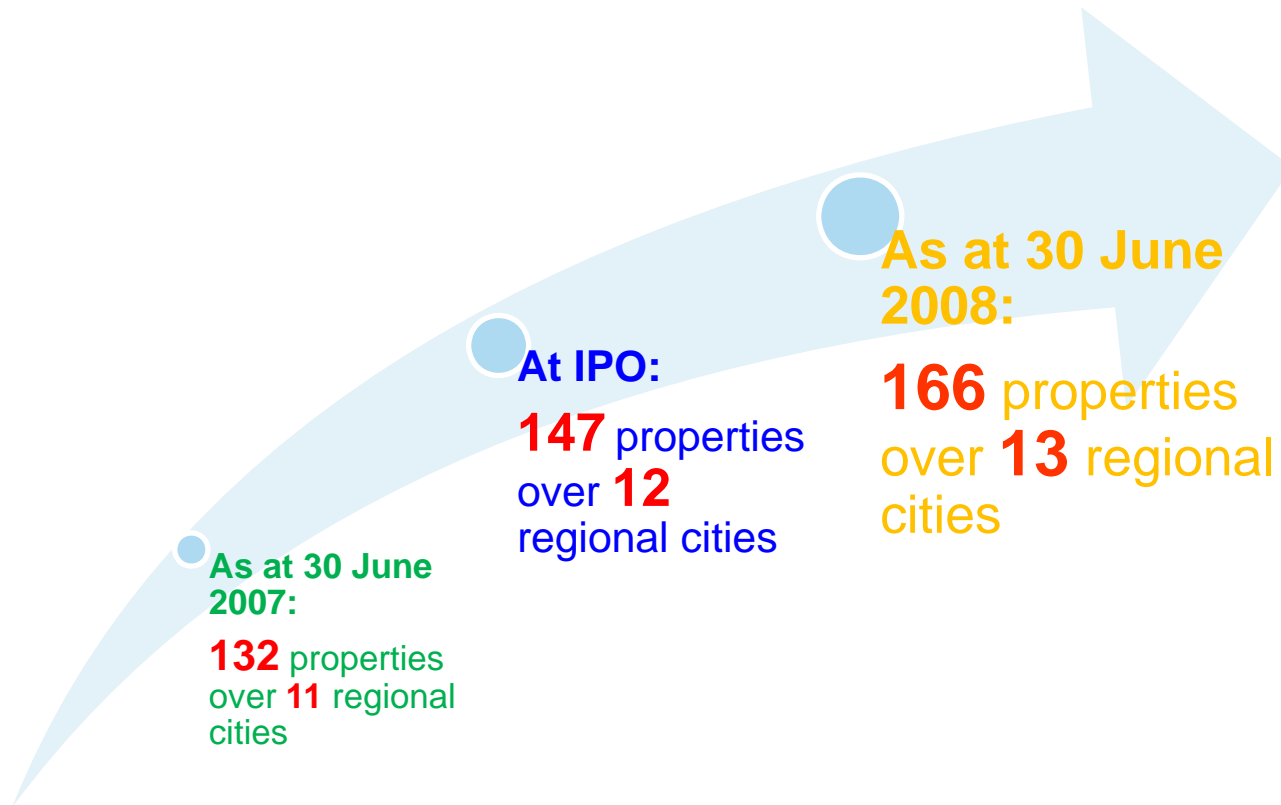
Debt Maturity Profile and Interest Coverage Ratio

Loan Due		JPY (million)	SGD (million)
2009	1 st half	5,318	68.3
	2 nd half	13,415	172.2
2010	1 st half	5,476	70.3
2011	1 st half	6,380	81.9
2023	1 st half	350	4.5
	Total:	30,939	397.2

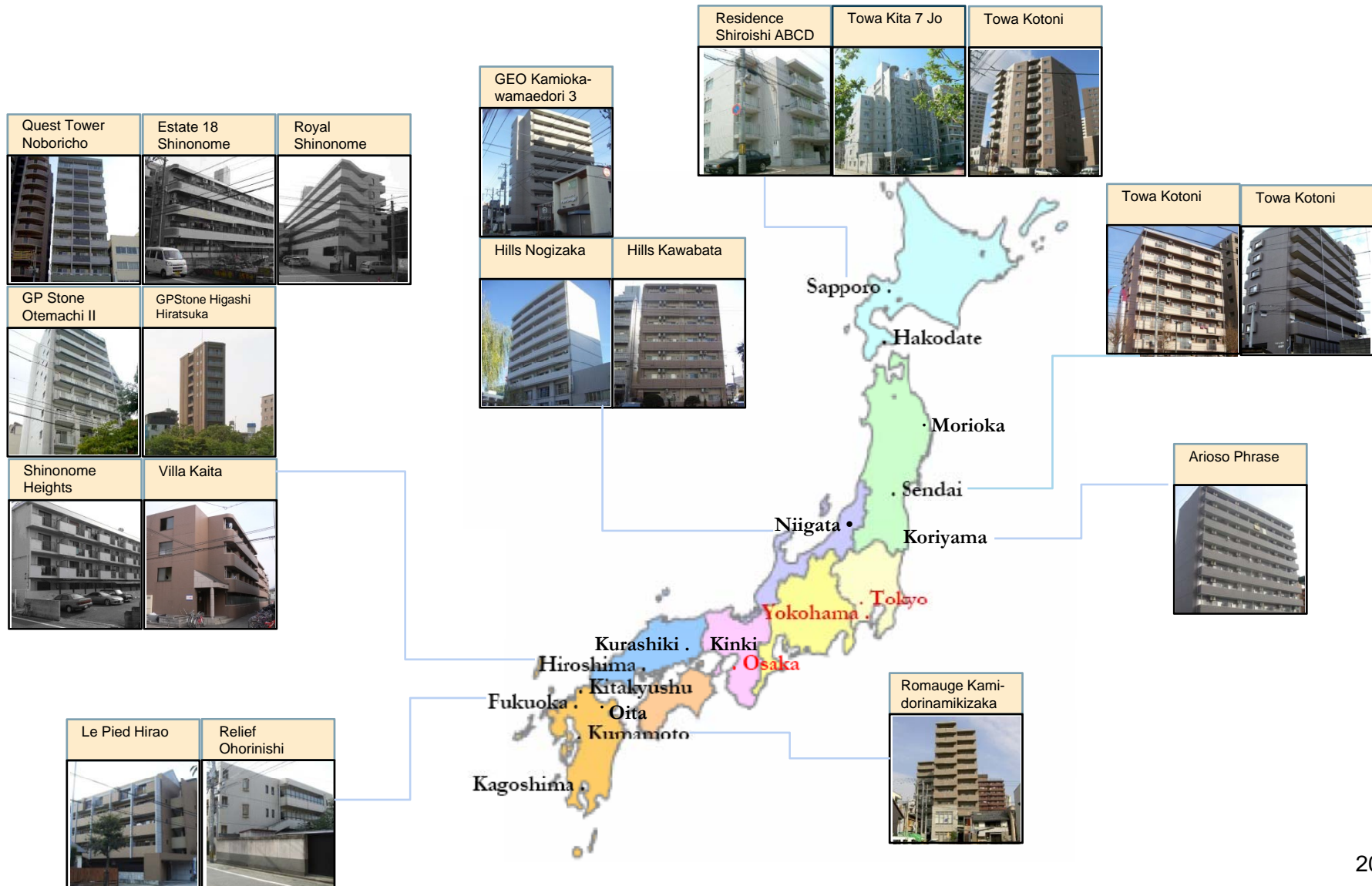
	4Q FY2008	4Q FY2007
Interest coverage ratio (Net property income / Interest expenses)	3.7 times	3.0 times

Investment & Portfolio Highlights

- Completion of investment in 19 properties of JPY7.26 billion or (S\$93.2 million) since listing.
As at 30 June 2008, 166 properties across 13 regional cities



Investment & Portfolio Highlights



Investment & Portfolio Highlights

City	No of Property	Lettable Area (sqm)	Gross Floor Area (sqm)	Net Lettable Area (sqm)
Fukuoka	13	6,110.04	12,569.26	11,422.10
Hakodate	5	4,051.22	11,904.81	10,249.68
Hiroshima	30	10,131.90	32,904.66	29,915.76
Kagoshima	4	2,609.79	6,703.03	6,475.94
Kitakyushu	22	16,418.49	34,420.73	31,627.01
Kohriyama	3	3,349.17	5,315.56	4,957.46
Kumamoto	16	12,986.87	34,586.60	30,938.75
Kurashiki	1	705.00	868.63	846.08
Morioka	4	5,080.90	4,486.81	4,246.56
Niigata	3	1,093.66	4,326.54	3,719.90
Oita City	1	866.44	3,315.33	2,826.75
Sapporo	41	26,614.98	77,873.73	64,154.56
Sendai	23	16,038.44	26,746.48	23,519.16
Total:	166	106,056.90	256,022.17	224,899.71

Average
age:
13.6
years

Asset Management Highlights

- Implementation of leasing strategies and asset enhancement program
 - Progressively upgrading older properties to enhance leasing competitiveness
 - Implementation of rental incentive schemes
 - Repair, renovation and improvement of rooms, buildings and facilities
 - Creating organic growth
- Portfolio occupancy rate has been improved to 91.4%⁽¹⁾ as at 30 June 2008 vs. 90.7% as at 30 June 2007 vs. 89.4% as at 31 December 2007

Note 1 : Excluding Quest Tower Noboricho which was brand new and vacant when acquired on 31 May 2008. It is currently being leased up.

Market Overview

- Japanese economy contracted at its fastest pace in seven years, hurt by rising commodity prices and weak exports
- Amidst weakening global credit market, Japan real estate sector has been adversely affected. Several real estate firms and developers went bankrupt as banks rein in lending
- The Manager has observed a weakening real estate market. Asset prices and property market liquidity have been impacted
- In light of the current market condition, valuers in Japan have generally adopted higher capitalisation rates and more conservative operating assumptions when conducting valuations

Outlook

- The Manager expects FY2009 to be a challenging year with immediate focus being placed on refinancing of loans of about JPY20.2 billion which fall due within the next 12 to 18 months
- Saizen REIT has adequate resources to repay loans that will come due within the next 12 months. Nonetheless, team continues to work hard on broadening the sources of financing
- Notwithstanding increased leasing competition has been observed and amidst of difficult macro economic environment, leasing activities and rental operations of Saizen REIT's property portfolio have remained stable
- Continued implementation of leasing strategies and asset enhancement program



Q & A