



SaizenREIT) 最善

**2015 AGM Presentation
October 2015**

www.saizenreit.com.sg

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- 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 SGX-ST. Listing the Units on the SGX-ST does not guarantee a liquid market for the Units.

Saizen REIT in Brief

- **Only Singapore-listed REIT to offer exclusive access to Japanese residential real estate**
- **Principal investment objective** - Investing in diversified portfolio of income-producing real estate in Japan which is used primarily for residential and residential-related purposes, and real estate-related assets
- **Portfolio of 136 properties valued at JPY 43.1 billion (\$\$ 474 million) ⁽¹⁾**
 - 5,512 residential and commercial units in 14 Japanese cities
 - Targeted at mass market tenants

(1) Based on latest available valuation, figures and exchange rate of JPY90.9/\$\$ as at 30 June 2015.



Recent Developments

- **Evaluation Committee established in August 2015**
 - Comprises solely independent non-executive directors of Manager
 - Lead assessment and evaluation of proposals, including those that may involve, among others, corporate actions involving Saizen REIT's portfolio and/or unitholding structure
 - Credit Suisse (Singapore) Limited and NorthEast Capital Management GK appointed as joint financial advisers
 - Manager has received a firm offer in relation to the assets of Saizen REIT, which the Evaluation Committee and joint financial advisers are currently reviewing and evaluating

Recent Developments

- **Distribution reinvestment plan (“DRP”) established in July 2015**
 - Provide Unitholders option to receive distributions in the form of Units, cash or combination of both
 - DRP applied to distribution for 6-month financial period ending 30 June 2015, election rate of approximately 33%
- **Property Acquisition and Divestment**
 - Divested Niken Chaya Grand Heights at a premium of 20.4% above valuation
 - Acquired Strasse Nanokawa

Key Financial Information

Number of Units in issue as at 21 October 2015	287,024,902
NAV attributable to Unitholders as at 30 June 2015 ⁽¹⁾	S\$324 million
NAV per Unit as at 30 June 2015 ⁽¹⁾	S\$1.14
Market capitalisation as at 30 June 2015 ⁽²⁾	S\$245 million
4Q FY2015 interest cover ratio	6.0 times
Gearing ⁽³⁾ / Net gearing ⁽⁴⁾ as at 30 June 2015	35% / 29%
Unit price (closing price as at 21 October 2015)	S\$0.855
52 week high / low	S\$0.935 / S\$0.780

Notes:

(1) Computed based on exchange rate of JPY 90.9/S\$ as at 30 June 2015

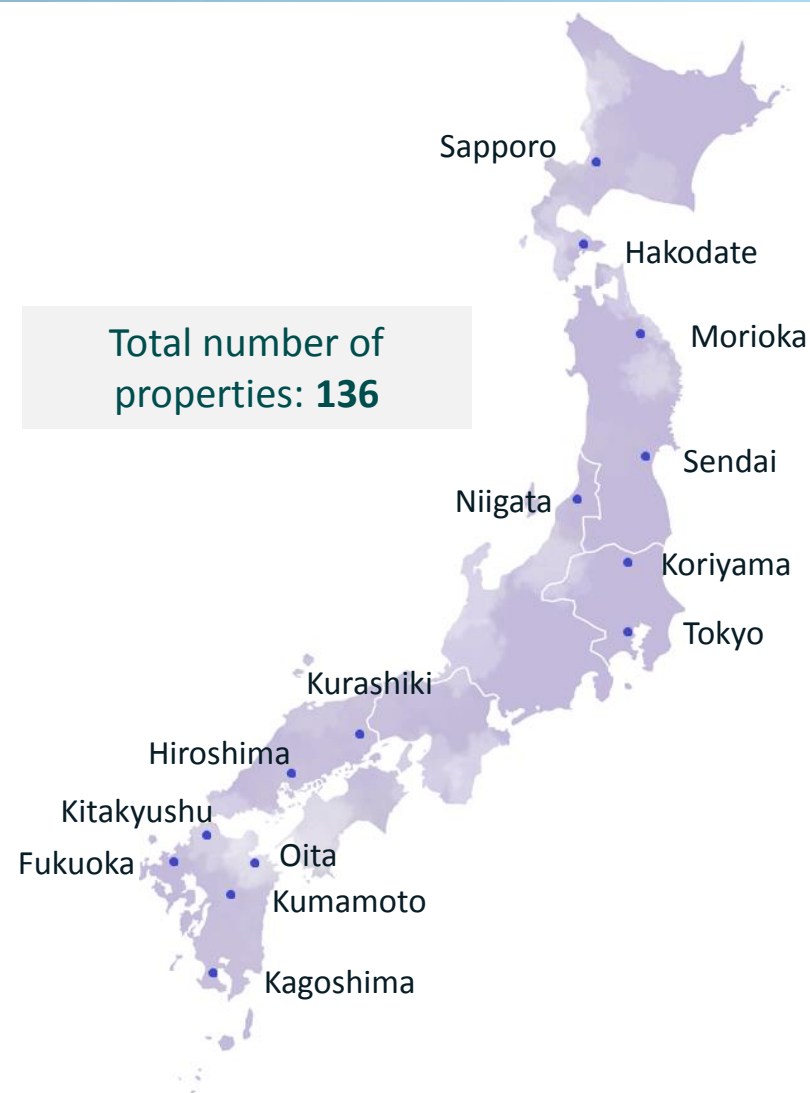
(2) Computed based on 283,611,720 Units in issue and Unit price of S\$0.865 as at 30 June 2015

(3) Gearing = Total borrowings / Total assets

(4) Net gearing = Total net borrowings (net of cash) / Total value of Saizen REIT's investment properties

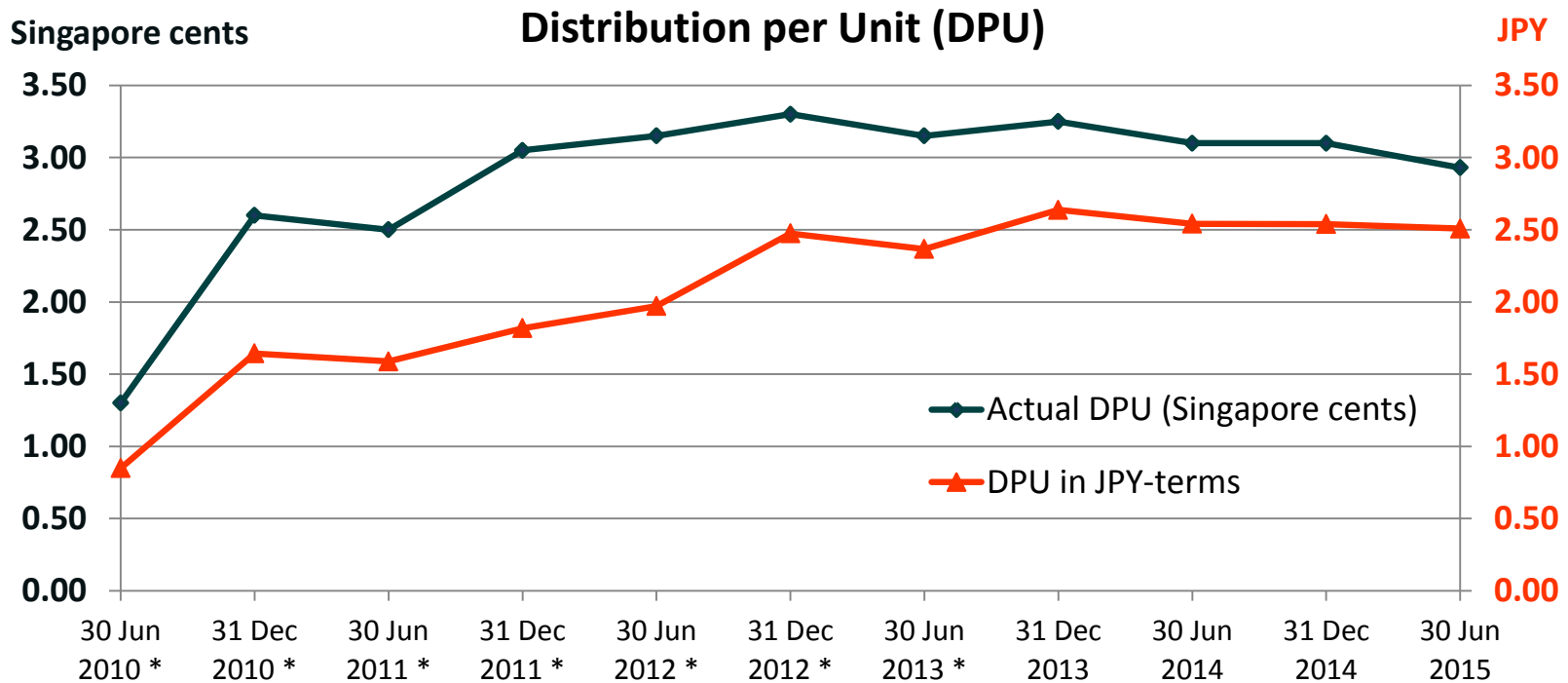
Portfolio Overview

Region	City	Portfolio distribution by revenue (%)
Kyushu	Kumamoto	17.5
	Kitakyushu	10.3
	Fukuoka	6.8
	Kagoshima	3.3
	Oita	0.9
		38.8
Hokkaido	Sapporo	24.9
	Hakodate	0.7
		25.6
Tohoku	Sendai	9.1
	Koriyama	2.8
	Morioka	1.5
		13.4
Chugoku	Hiroshima	14.3
	Kurashiki	0.3
		14.6
Kanto	Tokyo	5.5
Chubu	Niigata	2.1



Distributions

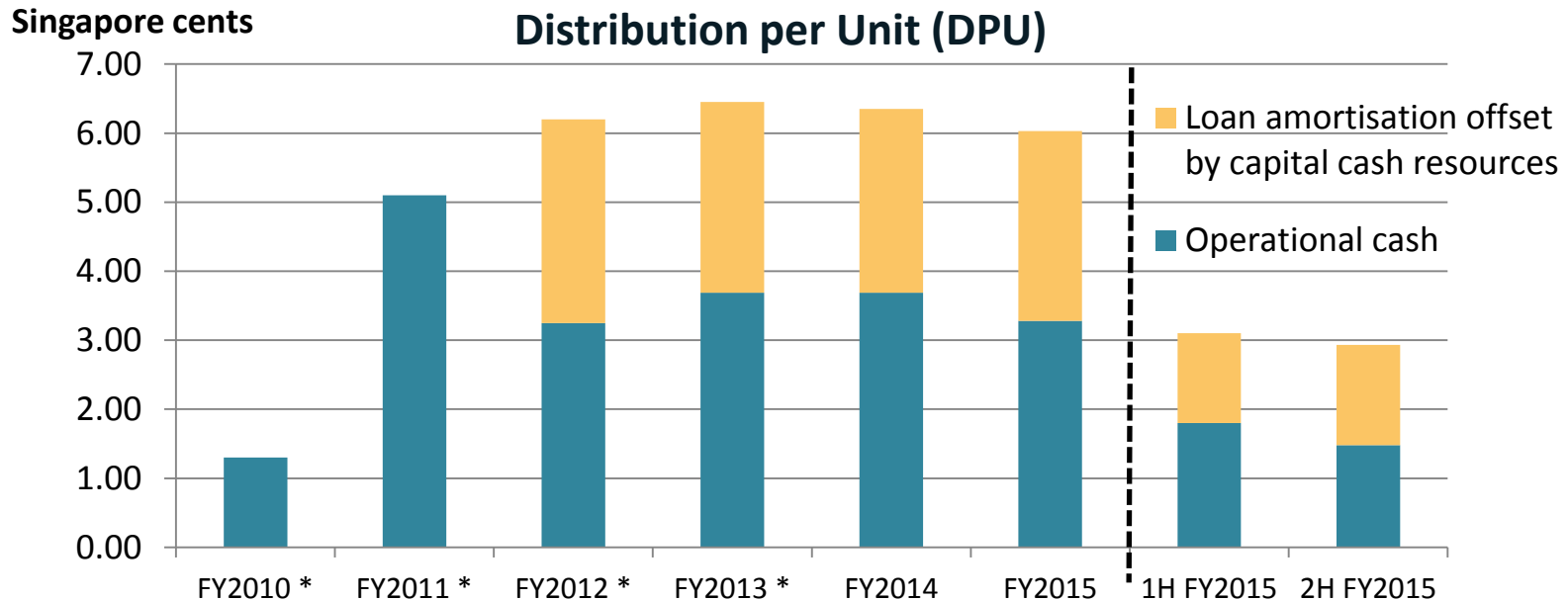
Distribution per Unit	2.93 Singapore cents
Distribution period	1 January 2015 to 30 June 2015
Payment date	28 September 2015



* as adjusted for Unit Consolidation

Distributions

- Use of capital cash resources to offset loan principal repayment contributed to 1.45 cents out of DPU of 2.93 cents for 2H FY2015
- Annual loan principal amortisation of approximately JPY 691 million at present
- Ability to offset loan principal repayment subject to availability of cash resources, eg. loan and disposal proceeds, and cash conserved under the DRP



* as adjusted for Unit Consolidation

Hedging of Distribution Payments

- Distributions have been hedged as follows:

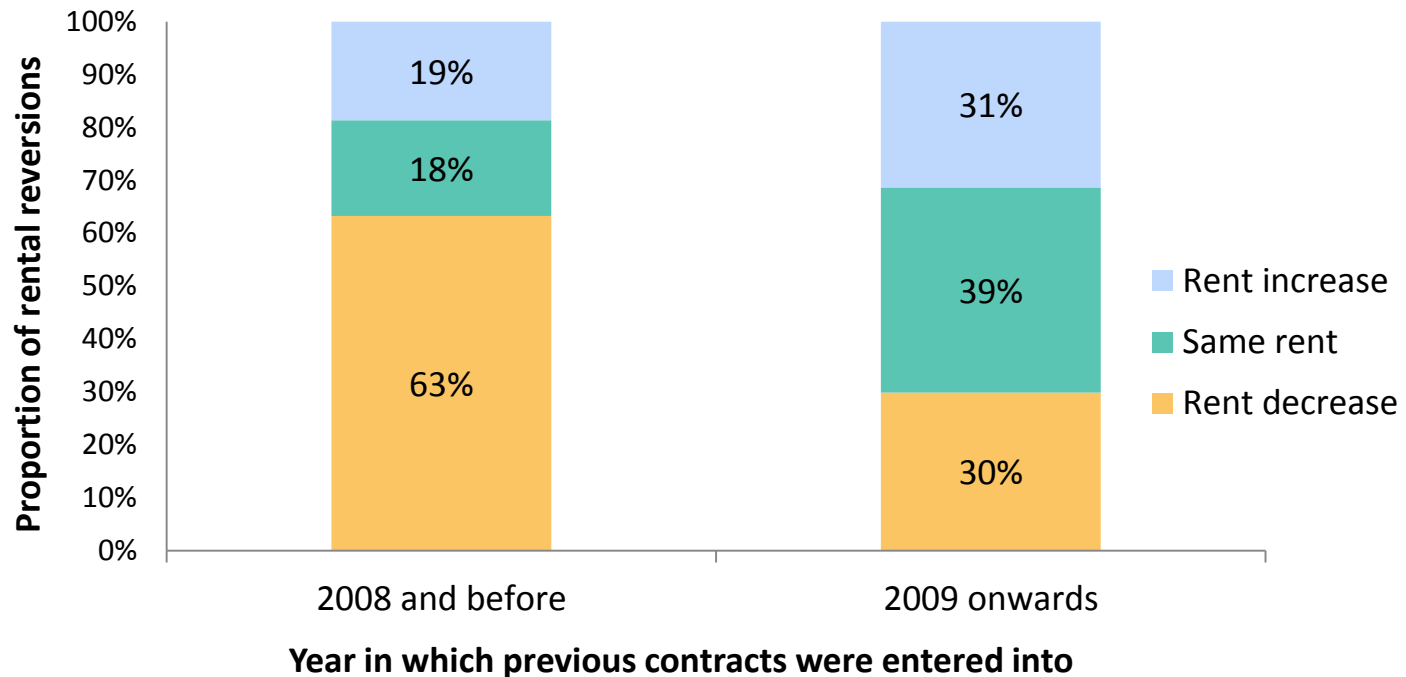
Distribution period	6-month period ending 31 December 2015	6-month period ending 30 June 2016
Expected payment	March 2016	September 2016
Average hedge rate (S\$/JPY)	87.0	84.4
Hedge instrument	Forward contract	Forward contract

FY2015 Overview

- **Y-o-Y revenue and net property income decreased by 1.4% and 1.9% in FY2015, due mainly to property divestments**
- **Property operations remained stable**
 - Average occupancy rate in FY2015 at 90.6% (FY2014: 91.0%)
 - Tenant turnover rate improved in FY2015 to 17.0% (FY2014: 19.0%)
 - Overall rental reversion of new contracts entered into in FY2015 marginally lower by about 0.6% (FY2014: lower by about 0.5%)
 - Saizen REIT's properties in Tokyo and Sendai reported average positive rental reversion of 2.4% and 1.3% in FY2015

FY2015 Overview

Rental reversions (residential units) in FY2015



- Where previous rental contracts were entered into from 2009 onwards, majority of new contracts were at same or higher rents
- As at 30 June 2015, approximately 20% of rental contracts had been entered into in 2008 or earlier.

FY2015 Overview

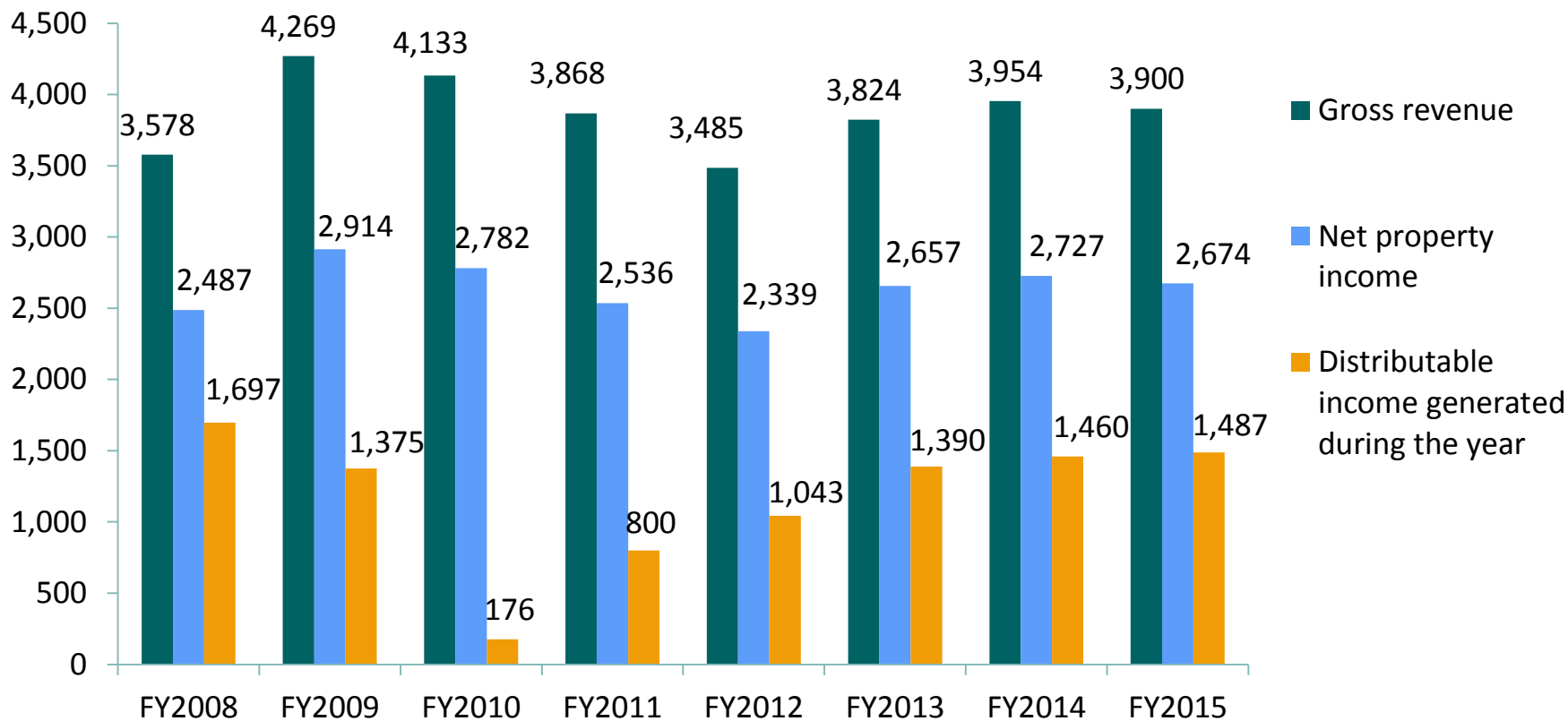
- **2 properties divested**
 - Sun Port 6 and High Grace II divested in FY2015 at premiums of 12.8% and 16.0% respectively over valuation
- **Debt profile strengthened, portfolio diversified with 3 new loans**
 - Loans of JPY 1,450 million in aggregate
 - 2 new lenders, including a strategic breakthrough with a bank in northern Japan

FY2015 Overview

- **Weakening of JPY against S\$ has weighed on Saizen REIT's net asset value and income in S\$-terms**
 - As Saizen REIT's distributable income from operations is generated in JPY, its S\$-denominated distributions are dependent on JPY-S\$ cross rates
 - Distributions for six-month financial periods ending 31 December 2015 and 30 June 2016 hedged at average rates of JPY 87.0/S\$ and JPY84.4/S\$ respectively
 - Foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (principally denominated in JPY) will not be hedged

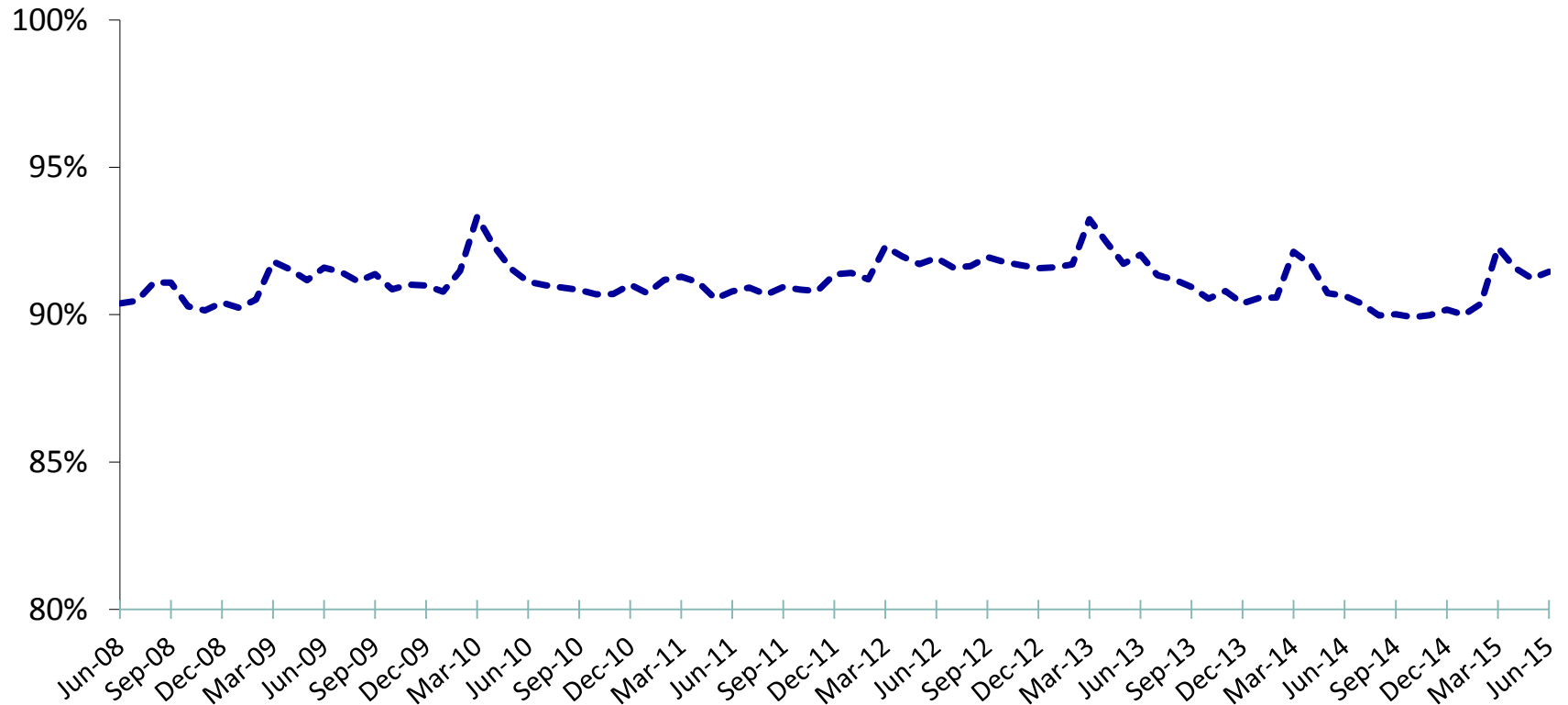
Financial Performance

(JPY'mln)



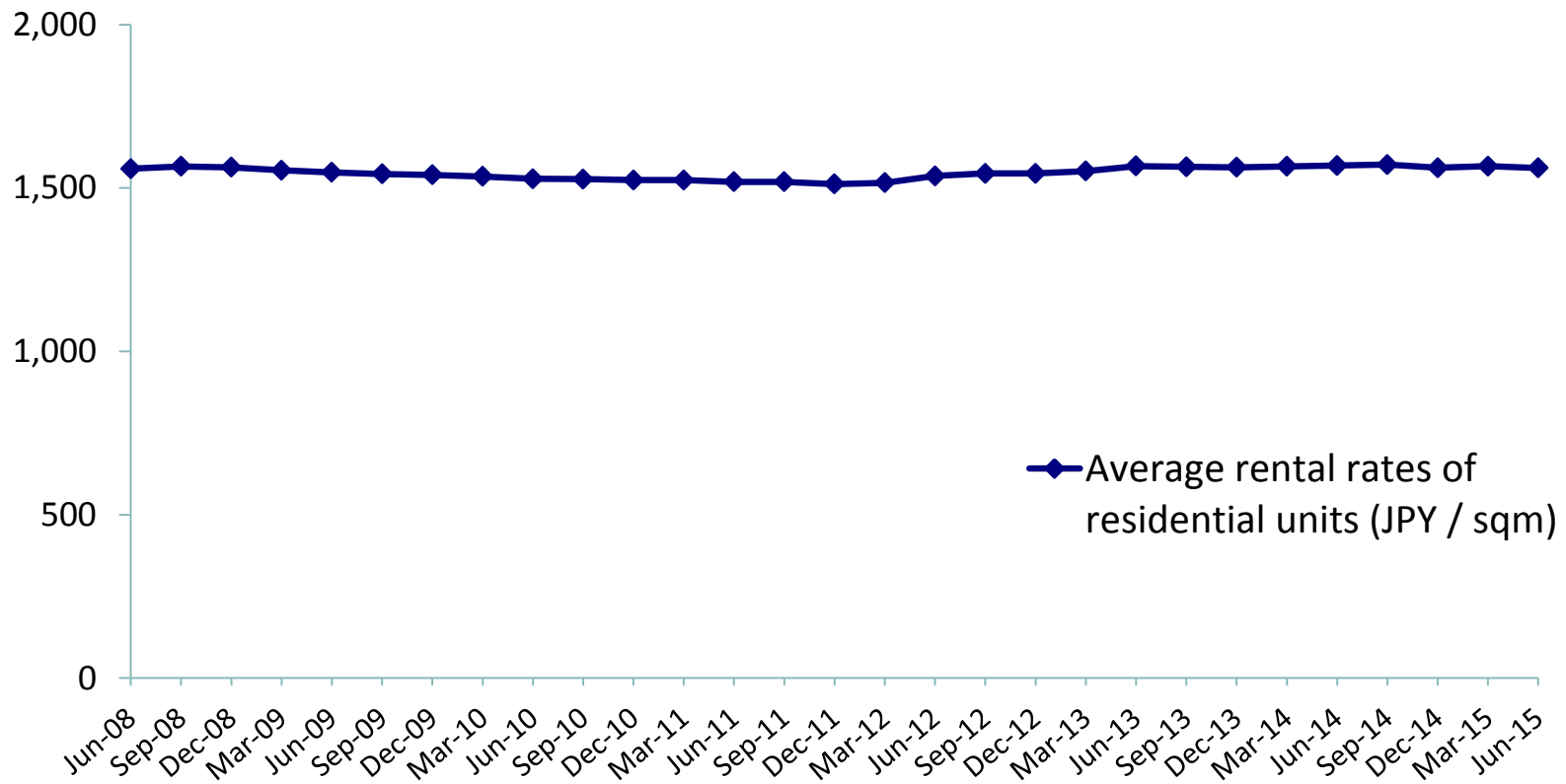
Occupancy Rates

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



Stable Rental Rates

- Average rental rates maintained above JPY 1,500 / sqm (approx. S\$17 / sqm) since Jun 08



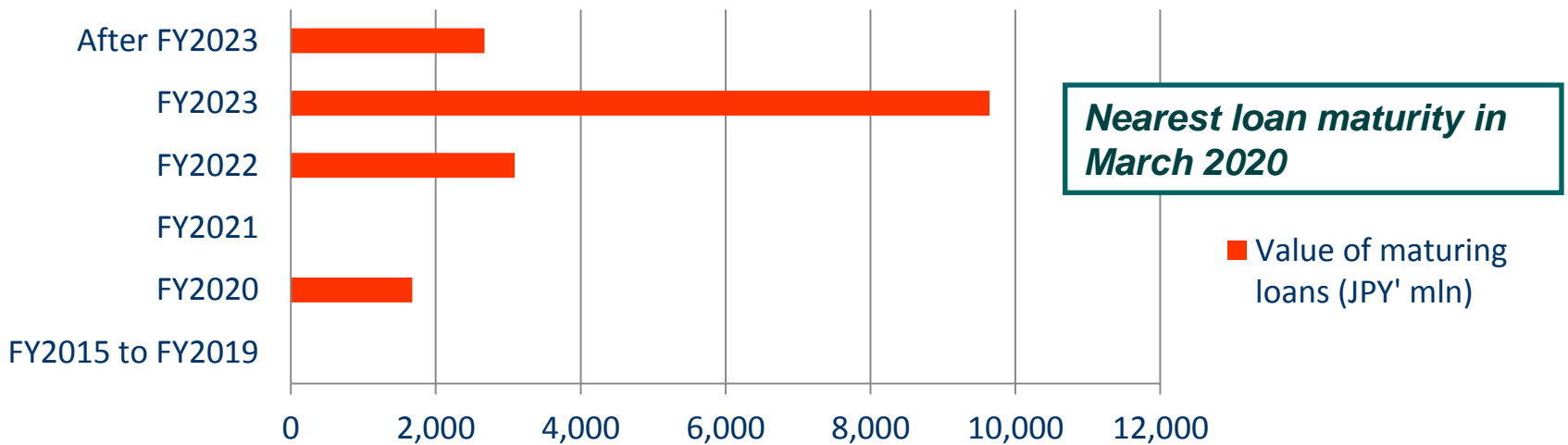
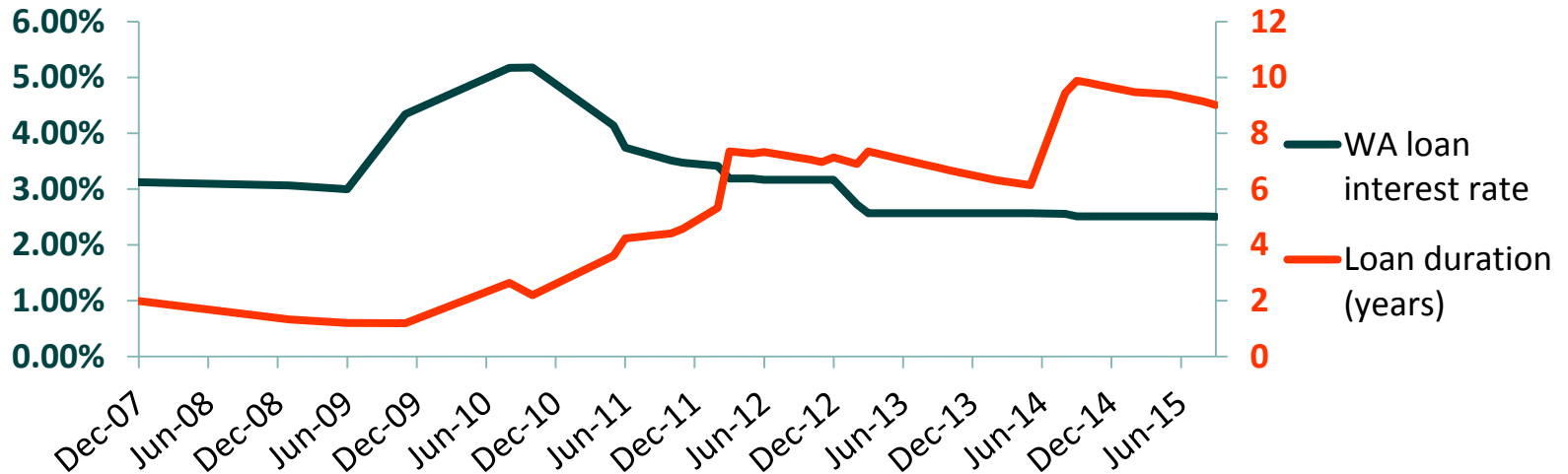
Debt Profile of TK Operators

TK operator	Source of Debt	Maturity Date	Prevailing Interest Rate (%)	Guarantor Fee (%)	Loan Amount (JPY'mln)	Property Value (JPY'mln)	Loan-to-value (%)	Annual loan amortisation (JPY'mln)
GK Choan	<i>Unencumbered</i>					750.0		
GK Chosei	<i>Unencumbered</i>					470.0		
YK Shinzan	Bank of Fukuoka	Mar 2020	2.223	0.175	1,675.0	4,701.0	35.6	100.0
GK Choan	Mizuho Bank Ltd	Mar 2022	2.91	0.3	2,475.0	8,090.0	30.6	150.0
GK Tosei		Jun 2022	2.81	0.3	616.0	1,922.0	32.0	28.0
GK Choan, GK Chosei, YK JOF, YK Keizan, YK Kokkei, YK Shintoku, YK Shingen	Tokyo Star Bank	Feb 2023	2.42	0.175	9,440.8	20,728.1	45.5	253.4
GK Chogen	The Higo Bank	Mar 2023	3.075	-	201.1	640.0	31.4	23.3
		Dec 2032	3.175	-	175.0	435.0	40.2	10.0
GK Gyokou	Kumamoto Dai-ichi Shinkin Bank	Feb 2031	3.50	-	388.5	1,088.0	35.7	25.2
		Oct 2031	3.35	-	405.3	1,000.0	40.5	25.2
	Kumamoto Shinkin Bank	Dec 2032	3.175	0.3	120.7	273.0	44.1	7.0
GK Togen	Shonai Bank	Mar 2035	2.475	0.3	256.8	589.0	43.6	13.0
GK Gyotatsu	Kitakyushu Bank	Aug 2036	1.462	-	706.4	1,400.0	50.5	33.6
GK Gyosei	Hiroshimashi Credit Cooperative	Jul 2041	2.30	-	65.7	141.0	46.6	2.5
		Sep 2041	2.25	-	121.8	282.0	43.2	4.7
		Jun 2044	2.25	-	432.5	672.0	64.4	15.0
Grand Total					17,080.6	43,181.1		690.9

Debt Profile of TK Operators

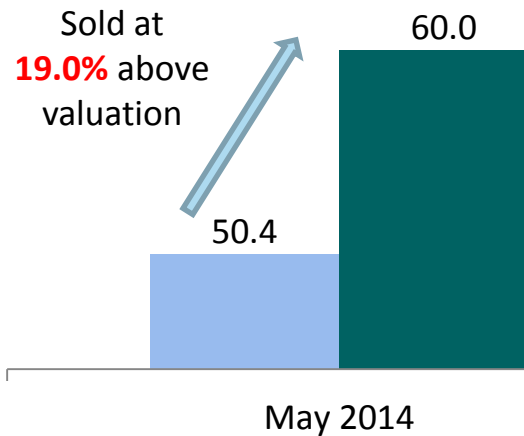
- **All loans are:**
 - non-recourse to Saizen REIT
 - not cross-collateralised
 - long-term in nature (7 to 30-year loans)
 - secured only by specific properties of the TK operator(s)
- **Fixed interest rates for 87% of loans outstanding**

Debt Profile of TK Operators

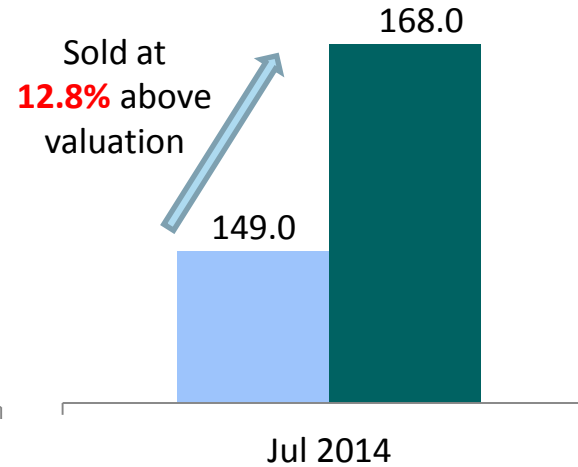


Divestments since 2014

Saumur Meinohama II



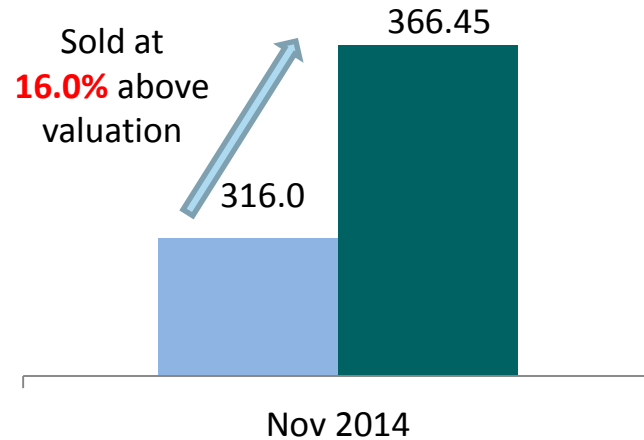
Sun Port 6



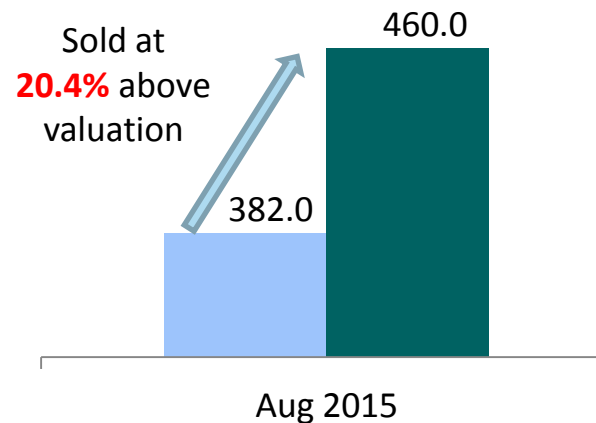
■ Valuation (JPY'mln)
■ Sale price* (JPY'mln)

* Sale price includes consumption tax

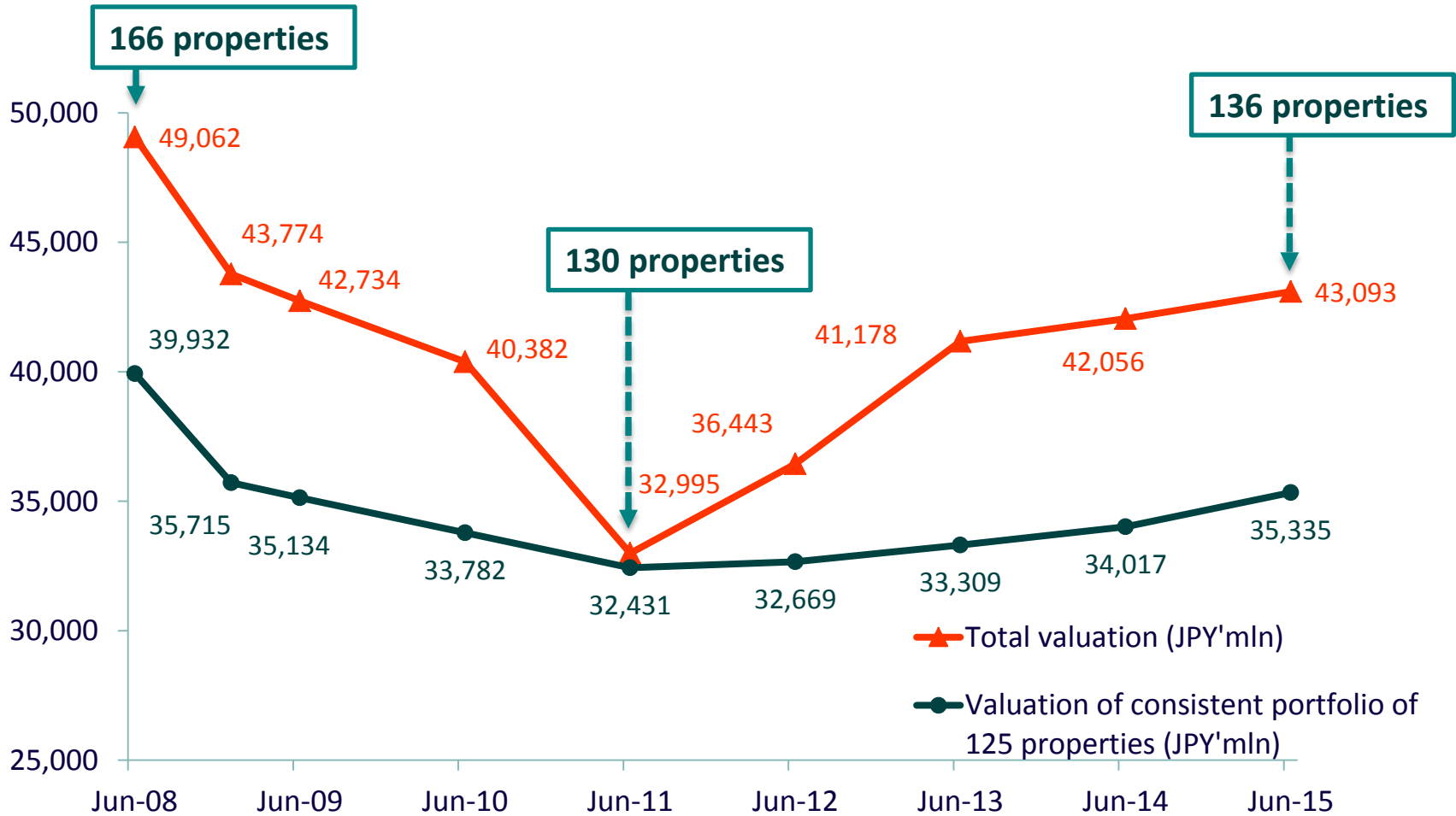
High Grace II



Niken Chaya Grand Heights



Property Valuations



Near-term Challenges

- **Acquisitions**

- Buoyant property market has resulted in aggressive yield compression and increased competition
- Premiums to be paid becoming an onerous issue in view of valuations (which can be overly conservative) and regulatory requirements

- **Leverage**

- Increasing leverage depends on ability to deploy cash towards acquisitions

Long-term Plans

- **Capital management**

- Expand and further diversify banking relationships, lower cost of financing
- Headroom to increase gearing level from 35% to between 40% and 45%
- Ability to operate under higher gearing supported by stable rental cashflow and long-term nature of debt financing

- **Portfolio management**

- Asset enhancement activities
- Improve and re-balance portfolio mix



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Thank You