



**SaizenREIT)** 最善

**Presentation  
February 2016**

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

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# 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 billion (S\$ 509 million<sup>1</sup>)**
  - Over 5,000 residential and commercial units in 14 Japanese cities
  - Targeted at mass market tenants

<sup>1</sup> Based on latest available valuation, figures and exchange rate of JPY85.1/S\$ as at 31 December 2015.

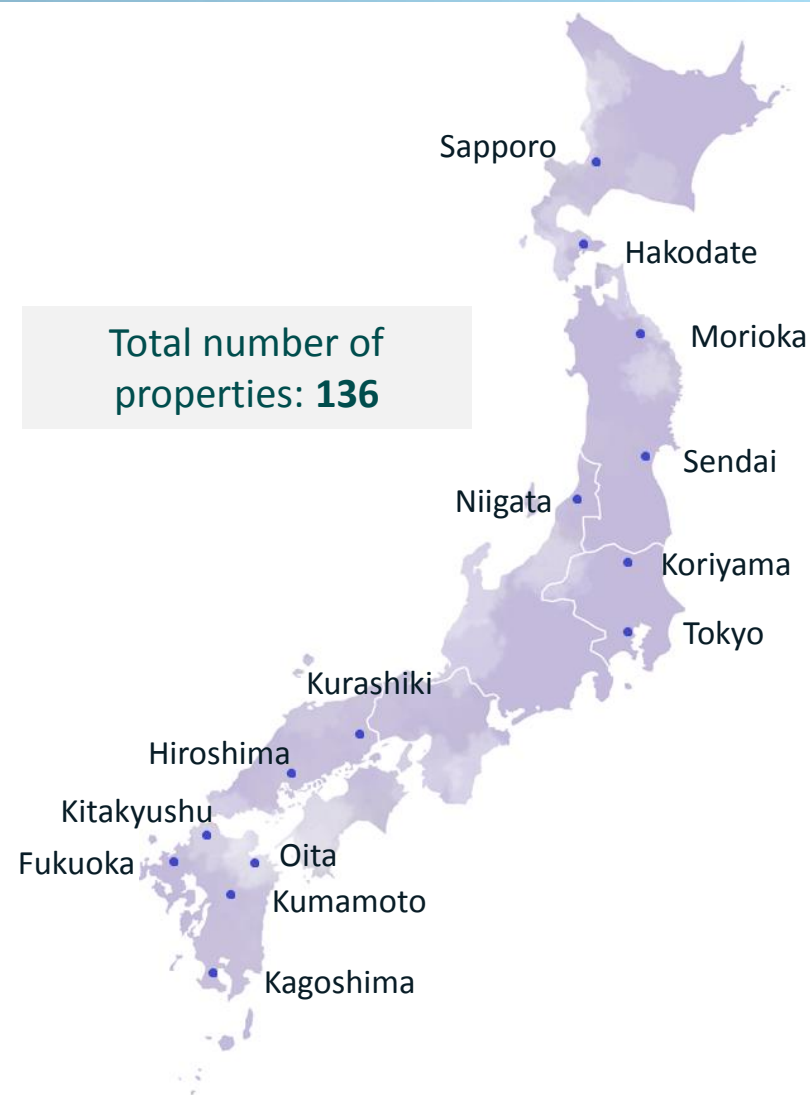
# Proposed Transaction

- **EGM scheduled on 1 March 2016 to seek Unitholders' approval of the Proposed Transaction for the disposal of Saizen REIT's entire portfolio of real estate assets to Triangle TMK**
  - Conditional agreement entered into with Triangle TMK (a Japanese affiliate of Lone Star Funds) on 31 October 2015
  - Agreed purchase consideration of JPY 44.66 billion (S\$514.1 million<sup>1</sup>) (subject to adjustments, if any) represents 3.4% premium to appraised value of properties
  - Proposed Transaction expected to complete in first quarter of 2016, subject to Unitholders' approval
  - Hedging arrangements entered into to substantially hedge cash balance of Saizen REIT after completion of Proposed Transaction
  - A circular dated 5 February 2016 ("**EGM Circular**") relating to the extraordinary general meeting ("**EGM**") on 1 March 2016 has been issued to Unitholders

**(Please see Appendix for further information on the Proposed Transaction.)**

# Portfolio Overview

| Region   | City       | Portfolio distribution by revenue (%) |
|----------|------------|---------------------------------------|
| Kyushu   | Kumamoto   | 17.5                                  |
|          | Kitakyushu | 10.3                                  |
|          | Fukuoka    | 7.0                                   |
|          | Kagoshima  | 3.2                                   |
|          | Oita       | 0.9                                   |
|          |            | <b>38.9</b>                           |
| Hokkaido | Sapporo    | 25.0                                  |
|          | Hakodate   | 0.7                                   |
|          |            | <b>25.7</b>                           |
| Tohoku   | Sendai     | 9.1                                   |
|          | Koriyama   | 2.8                                   |
|          | Morioka    | 1.5                                   |
|          |            | <b>13.4</b>                           |
| Chugoku  | Hiroshima  | 14.4                                  |
|          | Kurashiki  | 0.3                                   |
|          |            | <b>14.7</b>                           |
| Kanto    | Tokyo      | <b>5.2</b>                            |
| Chubu    | Niigata    | <b>2.1</b>                            |



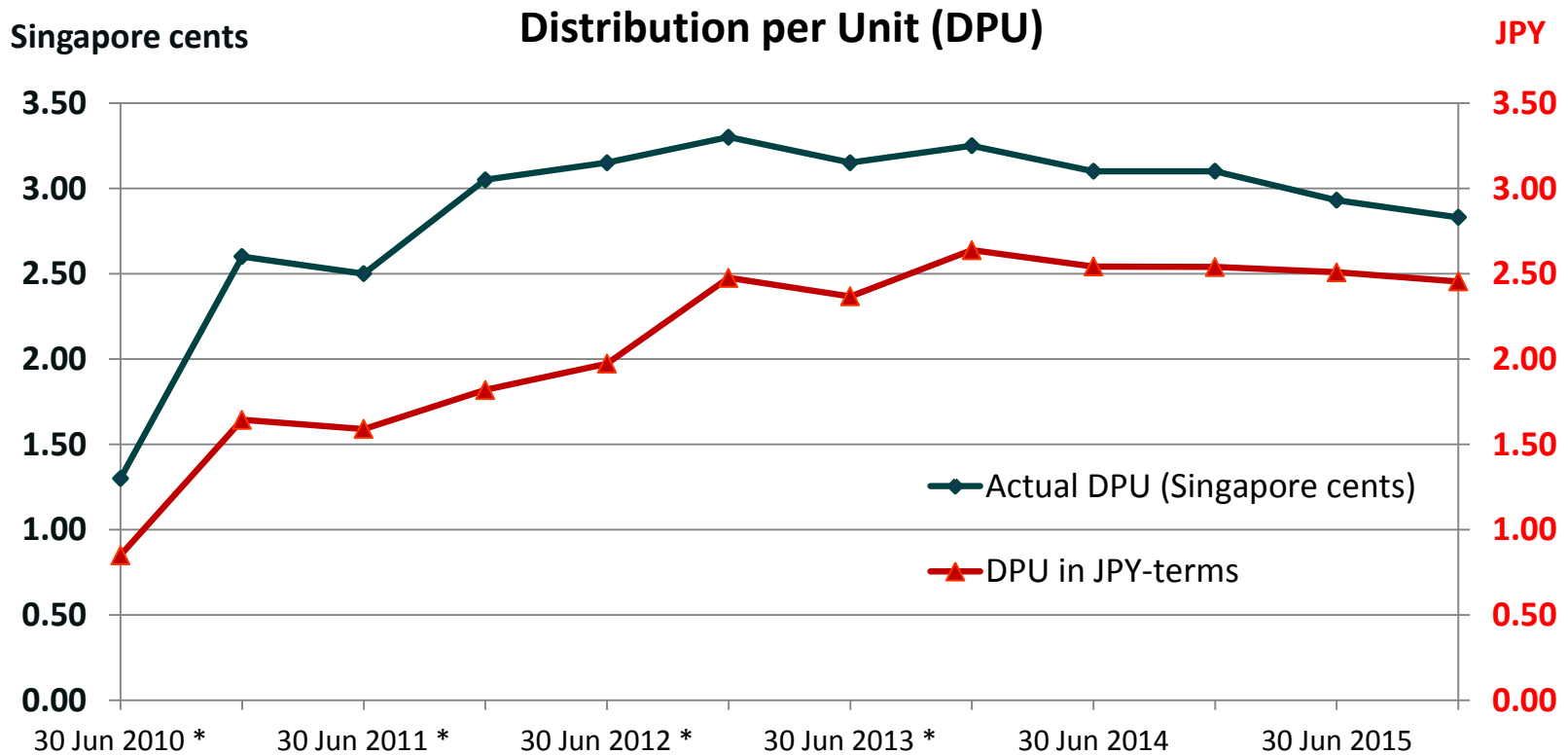
# Distributions

|                       |                                 |
|-----------------------|---------------------------------|
| Distribution per Unit | 2.83 Singapore cents            |
| Distribution period   | 1 July 2015 to 31 December 2015 |
| Payment date          | 29 March 2016                   |

- Distribution for 1H FY2016 has been hedged at an average exchange rate of JPY86.7/S\$
- Distribution is separate from and in addition to the special distribution of S\$1.056 per Unit that has been proposed for Unitholders' approval as set out in the EGM Circular dated 5 February 2016

*\* as adjusted for Unit Consolidation*

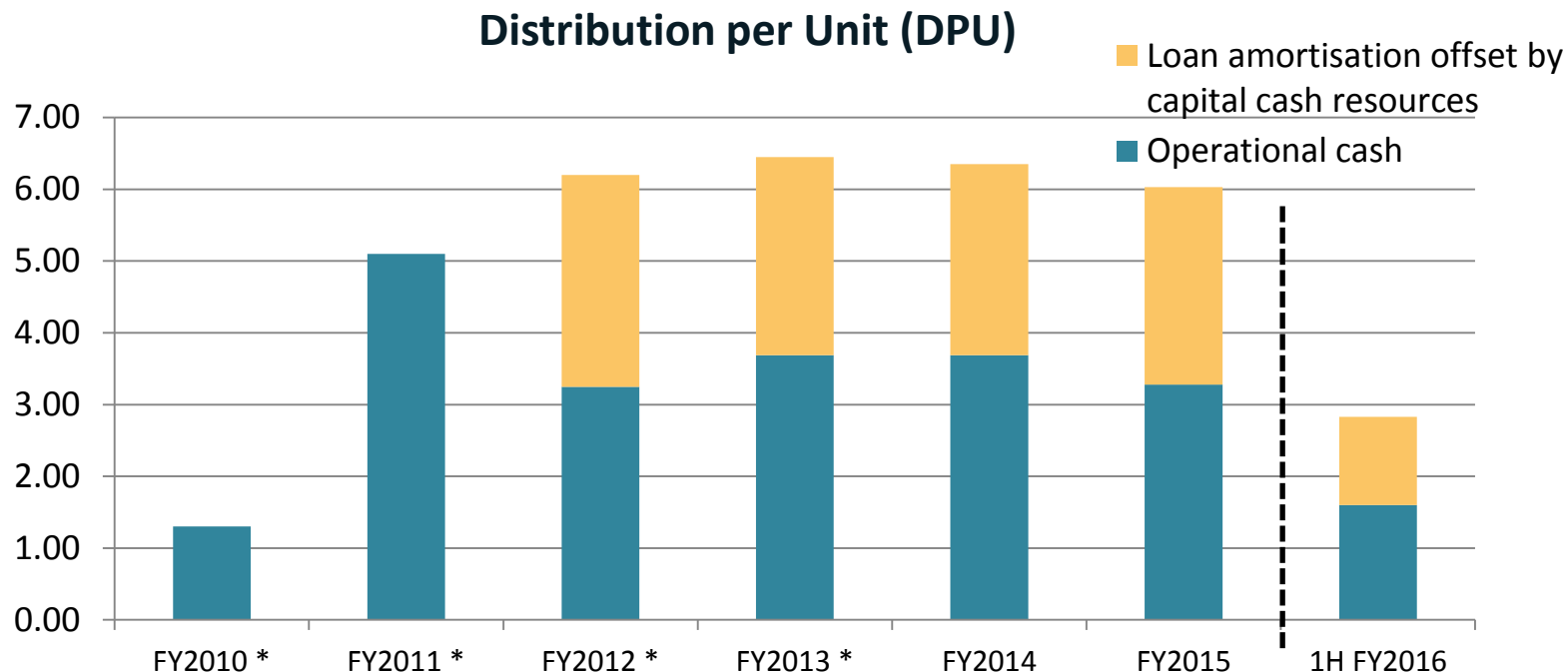
# Distributions



\* as adjusted for Unit Consolidation

# Distributions

- Use of capital cash resources to offset loan principal repayment contributed to 1.23 cents out of DPU of 2.83 cents for 1H FY2016
- 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





## 2Q FY2016 Overview

- **Revenue remained stable, while net property income was affected by repair and renovation costs and fluctuations in seasonal expenses**
  - Y-o-Y
    - Revenue increased by 0.3%, driven by increase in occupancy rates and partially offset by divestment of 2 properties between November 2014 and August 2015
    - Net property income decreased by 0.5%, resulted from higher repair and renovation expenses
  - Q-o-Q
    - Revenue increased by 0.4%
    - Net property income increased by 2.2%, due to lower repair and renovation expenses, leasing and marketing expenses and consumption tax arising from operations

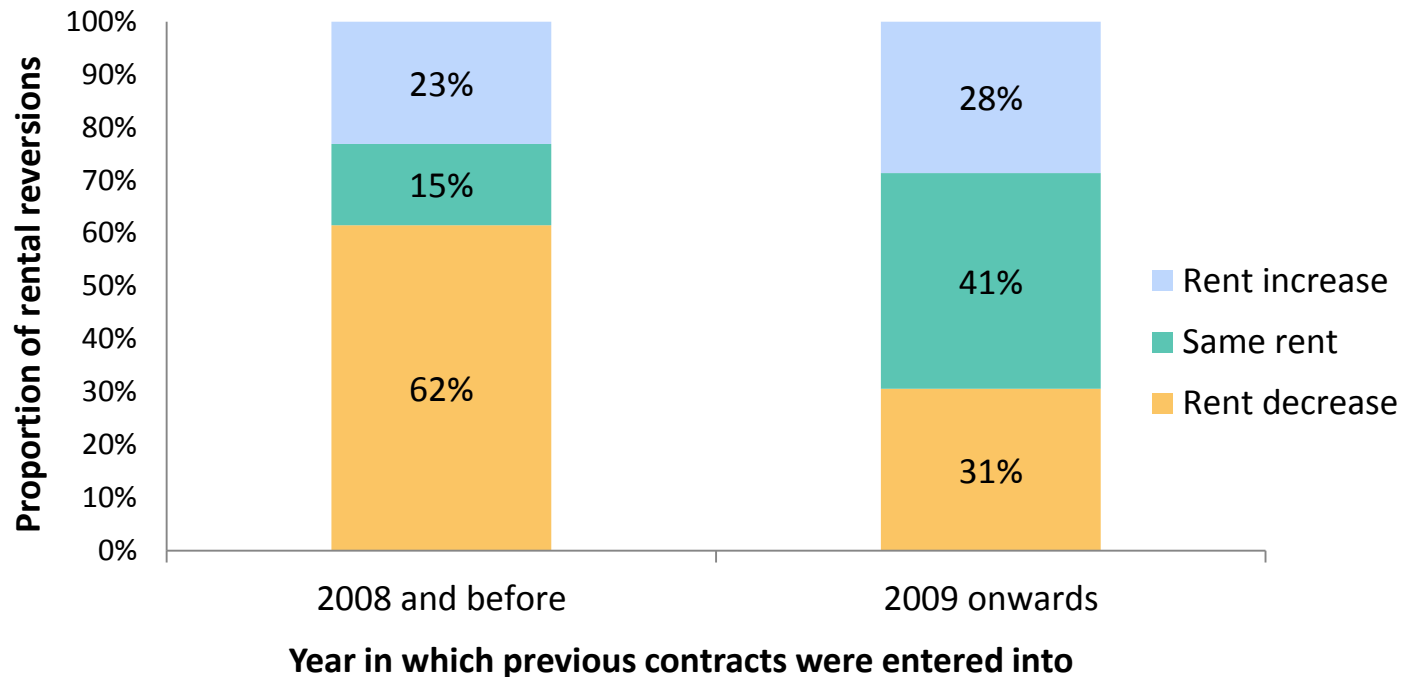
# 2Q FY2016 Overview

## ■ Property operations remained stable

- Average occupancy rate in 2Q FY2016 at 91.2% (2Q FY2015 and 1Q FY2016: 90.0% and 91.6% respectively)
- Overall rental reversion of new contracts entered into in 2Q FY2016 lower by about 1.7% (2Q FY2015 and 1Q FY2016: lower by about 0.3% and 2.2% respectively)
  - Primarily attributable to reversion of a commercial contract in Sapporo, rented out at substantially lower rate after taking into consideration its prolonged vacancy since 2009
  - Excluding the above contract, overall rental reversions in 2Q FY2016 would have been lower marginally by 0.6%, due mainly to reversion of contracts previously entered into before 2008
- Saizen REIT's properties in Tokyo, Hiroshima and Kumamoto reported average positive rental reversion of 6.6%, 1.0% and 1.0% in 2Q FY2016

# 2Q FY2016 Overview

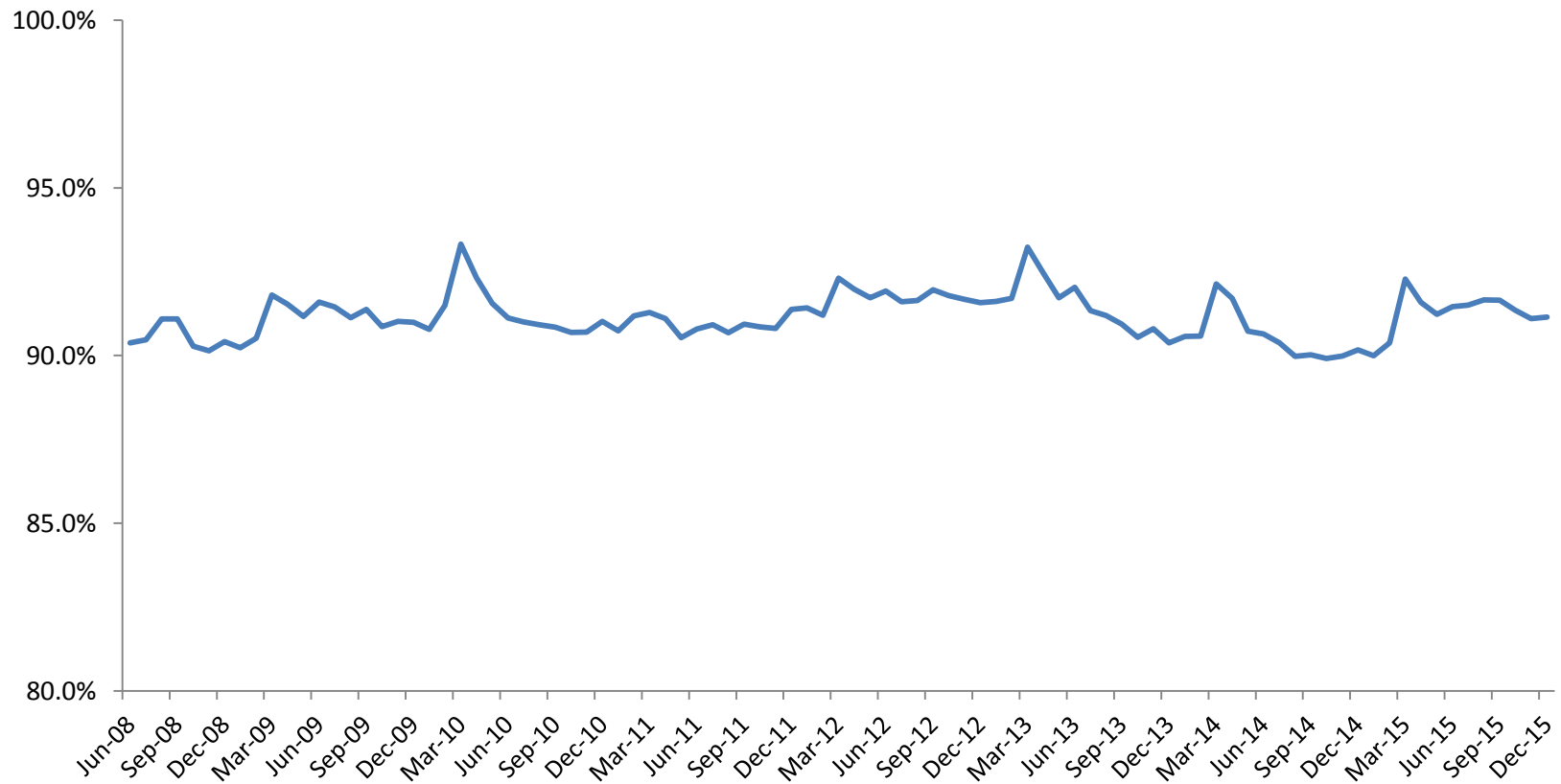
## Rental reversions (residential units) in Oct – Dec 2015



- Where previous rental contracts were entered into from 2009 onwards, majority of new contracts were at same or higher rents
- As at 31 December 2015, approximately 19% of rental contracts had been entered into in 2008 or earlier

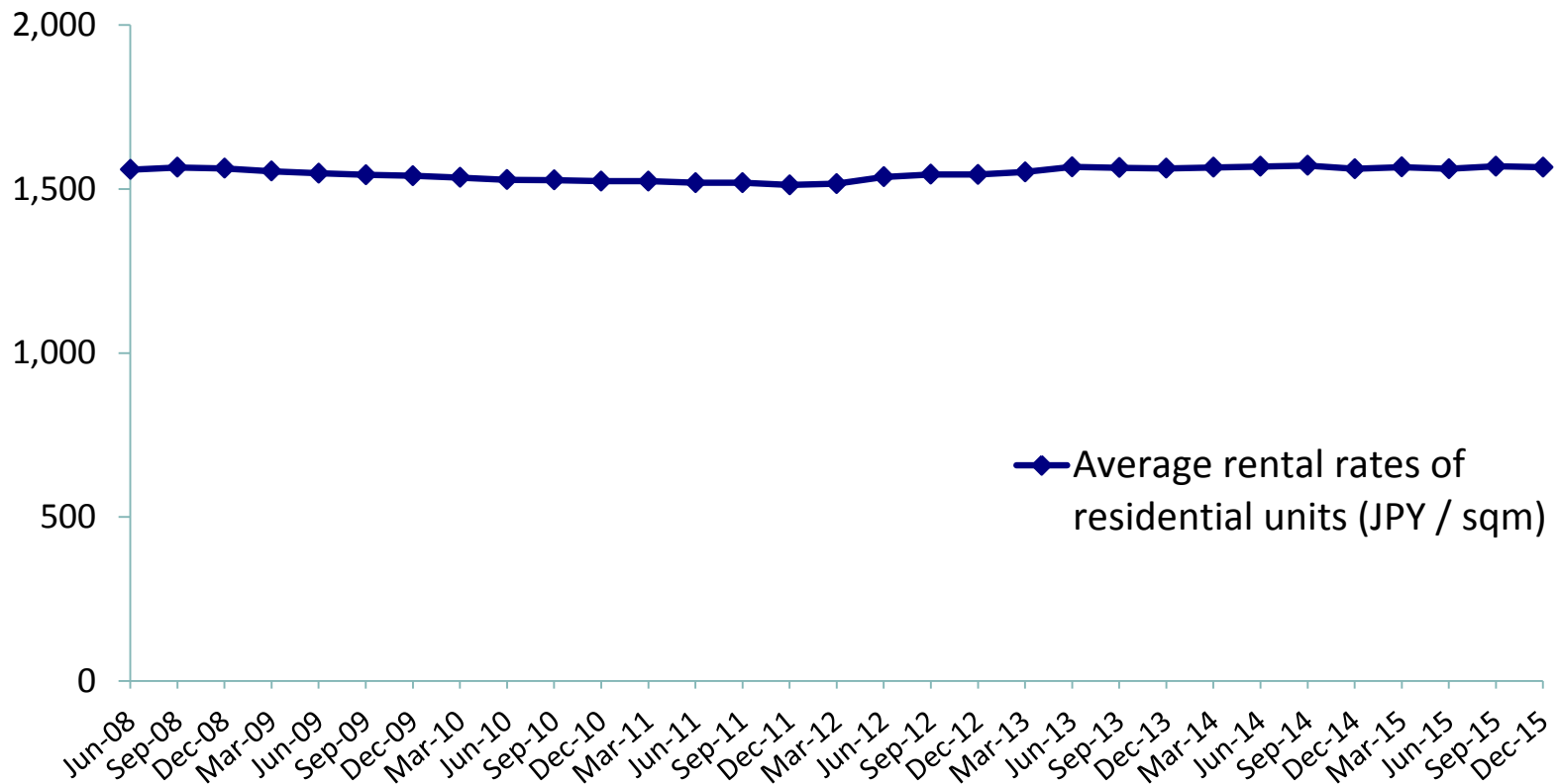
# Occupancy Rates

- 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



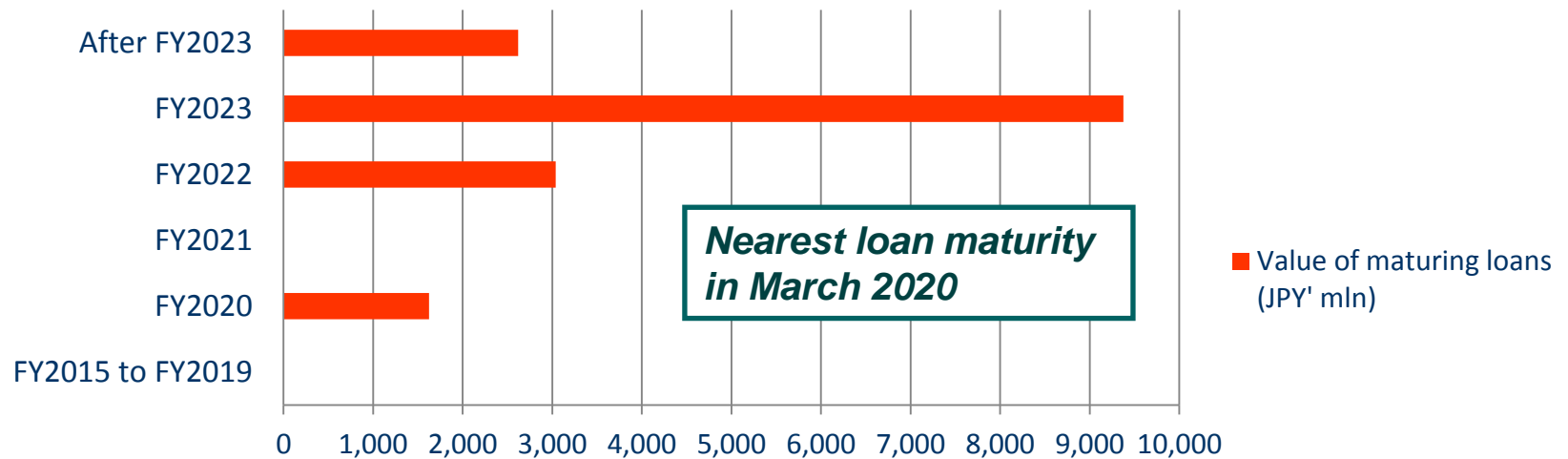
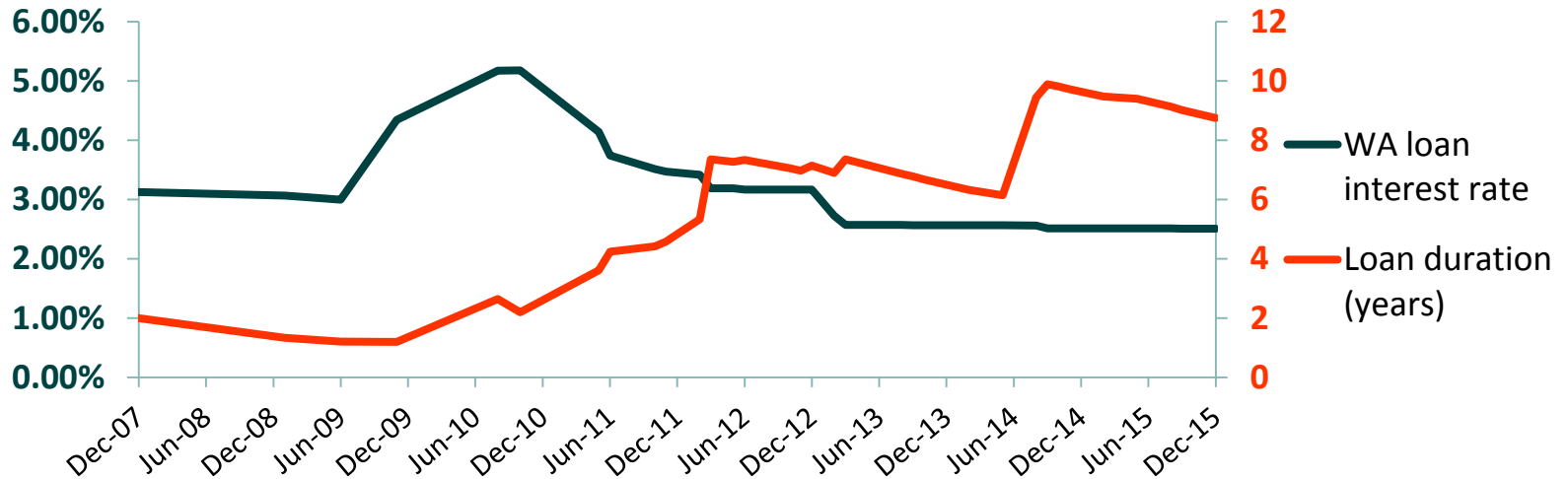
# Debt Profile of TK Operators

| 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             | 1,625.0               | 4,701.0                  | 34.6              | 100.0                              |
| GK Choan   | Mizuho Bank Ltd                 | Mar 2022      | 2.91                         | 0.3               | 2,437.5               | 8,090.0                  | 30.1              | 150.0                              |
| GK Tosei   |                                 | Jun 2022      | 2.81                         | 0.3               | 602.0                 | 1,922.0                  | 31.3              | 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             | 9,184.4               | 20,728.1                 | 44.3              | 253.4                              |
| GK Chogen  | The Higo Bank                   | Mar 2023      | 3.075                        | -                 | 189.5                 | 640.0                    | 29.6              | 23.3                               |
|  |                                 | Dec 2032      | 3.175                        | -                 | 170.0                 | 435.0                    | 39.1              | 10.0                               |
| GK Gyokou  | Kumamoto Dai-ichi Shinkin Bank  | Feb 2031      | 3.50                         | -                 | 380.1                 | 1,088.0                  | 34.9              | 25.2                               |
|  |                                 | Oct 2031      | 3.35                         | -                 | 396.9                 | 1,000.0                  | 39.7              | 25.2                               |
|  | Kumamoto Shinkin Bank           | Dec 2032      | 3.175                        | 0.3               | 118.4                 | 273.0                    | 43.4              | 7.0                                |
| GK Togen   | Shonai Bank                     | Mar 2035      | 2.475                        | 0.3               | 250.3                 | 589.0                    | 42.5              | 13.0                               |
| GK Gyotatsu  | Kitakyushu Bank                 | Aug 2036      | 1.462                        | -                 | 692.3                 | 1,400.0                  | 49.5              | 33.6                               |
| GK Gyosei  | Hiroshimashi Credit Cooperative | Jul 2041      | 2.30                         | -                 | 64.8                  | 141.0                    | 46.0              | 2.5                                |
|  |                                 | Sep 2041      | 2.25                         | -                 | 120.2                 | 282.0                    | 42.6              | 4.7                                |
|  |                                 | Jun 2044      | 2.25                         | -                 | 427.5                 | 672.0                    | 63.6              | 15.0                               |
| <b>Grand Total</b>   |                                 |               |                              |                   | <b>16,658.9</b>       | <b>43,181.1</b>          |                   | <b>690.9</b>                       |

# 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





# Key Financial Information

|  |                     |
|--|---------------------|
| <b>Number of Units in issue as at 10 February 2016</b>                           | 287,024,902         |
| <b>NAV attributable to Unitholders as at 31 December 2015 <sup>(1)</sup></b>     | S\$347 million      |
| <b>NAV per Unit as at 31 December 2015 <sup>(1)</sup></b>                        | S\$1.21             |
| <b>Market capitalisation as at 31 December 2015 <sup>(2)</sup></b>               | S\$313 million      |
| <b>2Q FY2016 interest cover ratio</b>  | 6.3 times           |
| <b>Gearing <sup>(3)</sup>/ Net gearing <sup>(4)</sup> as at 31 December 2015</b> | 35% / 27%           |
| <b>Unit price (closing price as at 10 February 2016)</b>                         | S\$1.090            |
| <b>52 week high / low</b>  | S\$1.140 / S\$0.780 |

**Notes:**

(1) Computed based on exchange rate of JPY 85.1/S\$ as at 31 December 2015

(2) Computed based on 287,024,902 Units in issue and Unit price of S\$1.090 as at 31 December 2015

(3) Gearing = Total borrowings / Total assets

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

## Proposed Transaction



# Proposed Transaction

*The following information is qualified in its entirety by, and should be read in conjunction with, the full text of the EGM Circular dated 5 February 2016. Meanings of defined terms may be found in the Glossary of the EGM Circular.*

## ■ Key Terms

|   |          |
|---|----------|
| <b>Adjusted Net Asset Value per Unit as at 30 June 2015</b> | S\$1.160 |
| <b>Implied Net Offer Price per Unit</b>                     | S\$1.162 |
| <b>Implied Liquidation Value per Unit</b>                   | S\$1.146 |
| <b>Proposed Special Distribution per Unit</b>               | S\$1.056 |

# Proposed Transaction

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## ▪ **Manager convening EGM on 1 March 2016 to seek Unitholders' approval**

- **Resolution 1:** the Proposed Transaction for the disposal of Saizen REIT's entire portfolio of real estate assets in Japan to Triangle TMK
  - **Resolution 2:** subject to the passing of Resolution 1, the proposed special distribution of S\$1.056 per Unit to Unitholders out of the cash balance of Saizen REIT after the completion of the Proposed Transaction
  - **Resolution 3:** subject to the passing of Resolution 1, the proposed supplemental payment of S\$1.2 million payable to the Manager following completion of the Proposed Transaction, and the corresponding amendment to the Trust Deed by way of supplemental deed of trust
- Further details are set out in EGM Circular to Unitholders dated 5 February 2016.
  - Unitholders are advised to read the EGM Circular carefully and to exercise caution when dealing in the Units.

# Proposed Transaction

The following information is qualified in its entirety by, and should be read in conjunction with, the full text of the EGM Circular dated 5 February 2016. Meanings of defined terms may be found in the Glossary of the EGM Circular.

## ■ Indicative Timetable

|  |   |
|--|---|
| Last date and time for lodgement of Proxy Forms  | 28 February 2016 at 10.00 a.m.  |
| Date and time of the EGM   | 1 March 2016 at 10.00 a.m.  |
| <b><i>If approval for the Proposed Transaction is obtained at the EGM</i></b>                  |   |
| Expected date of Completion  | On or before 31 March 2016 (or such other date as may be agreed between the Trustee and Triangle TMK) |
| <b><i>If approval for the Special Distribution is obtained at the EGM</i></b>                  |   |
| Expected Books Closure Date for the Special Distribution                                       | Within 21 days after Completion (or such later date as the Manager may determine)                     |
| Expected payment date for the Special Distribution   | Within 30 days after Completion   |
| Expected date of final distribution of any remaining cash following dissolution of Saizen REIT | To be announced, but is currently expected to be no later than 31 December 2016                       |



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Thank You