

**Saizen**REIT) 最善

**Presentation**



**May 2013**

[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.

## 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 14 cities
- Size of portfolio: JPY 40 billion (S\$526 million<sup>1</sup>)
- Saizen REIT has a corporate family rating of Ba3, with a stable outlook (rated by Moody's)
- Commenced Unit buy-back program in September 2012

1. Computed based on an exchange rate of JPY 76.0 : S\$1.00 as at 31 March 2013.

# Well-diversified Portfolio

Location	Portfolio distribution by revenue (%)
Sapporo	24.4
Kumamoto	17.3
Hiroshima	13.0
Sendai	11.6
Kitakyushu	10.6
Fukuoka	6.0
Tokyo	5.3
Kagoshima	3.3
Koriyama	2.8
Niigata	2.3
Morioka	1.5
Oita	0.8
Hakodate	0.7
Kurashiki	0.4

*Total number of properties: 138*

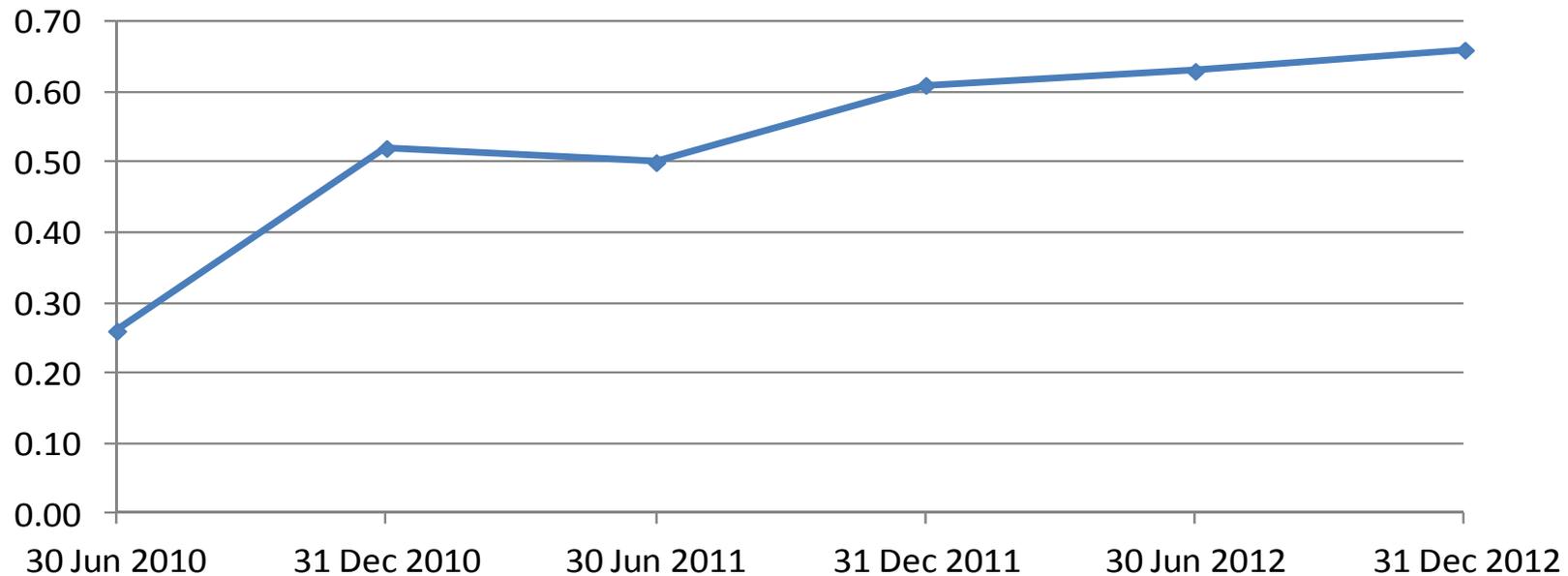


# Distributions

## Recent distribution:

Distribution per Unit	0.66 Singapore cents
Distribution Period	1 July 2012 to 31 December 2012
Date paid	22 March 2013

### Distribution per Unit (Singapore cents)



## 3Q FY2013 Overview

- Growth in revenue was driven by property acquisitions, while net property income was affected by seasonal expenses
  - Year-on-year revenue and net property income increased by 9.2% and 12.5% respectively on the back of property acquisitions
  - Quarter-on-quarter revenue grew by 2.0%, while net property income fell by 3.3% due mainly to increases in seasonal expenses
- Property operations remained stable
  - Average occupancy rate was stable 92.2% in 3Q FY2013, as compared to 91.6% in 3Q FY2012 and 91.7% in 2Q FY2013
  - Overall rental reversion of new contracts entered into in 3Q FY2013 was marginally lower by about 0.3% (3Q FY2012 and 2Q FY2013: lower by about 2.4% and 0.3% respectively) from previous contracted rates

## 3Q FY2013 Overview

- Acquired 2 properties
  - Clair Court Roka Koen, which is located in Tokyo, was acquired at a price of JPY 712.5 million
  - Cosmos Kokura Eki Mae, which is located in Kitakyushu, was acquired at a price of JPY 753.9 million
- Divested 1 property
  - Mansion Lilac was divested at a price of JPY 52.5 million, which represented a premium of 28.7% over its valuation

## 3Q FY2013 Overview

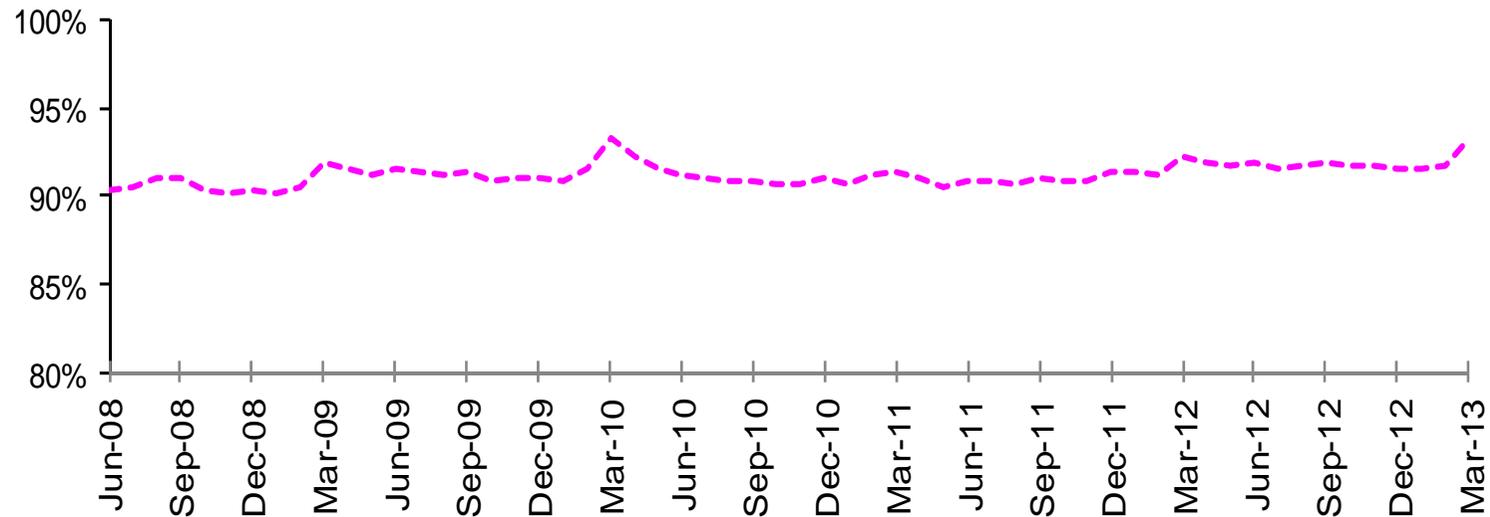
- One-off refinancing-related costs contributed to a decrease in net income from operations in 3Q FY2013
  - Such one-off costs comprised primarily loan commission written-off (being non-cash in nature) of JPY 148.0 million and swap breakage costs of JPY 135.3 million, which arose from the refinancing of loans
- Refinanced 4 loans with 2 new loans from The Tokyo Star Bank Ltd and the Bank of Fukuoka, Ltd
  - Raised approximately JPY 3.8 billion in new loan proceeds
  - Lowered the average interest rate and rate of amortisation of Saizen REIT's overall debt portfolio
  - Deferred the nearest loan maturity commitment to February 2018
  - Gearing increased to a more optimal level of 39%

## 3Q FY2013 Overview

- The weakening of the JPY against the 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 the JPY-S\$ cross rates
  - Distribution payment for the six-month period ended 30 June 2013 hedged at an average rate of JPY75.12/S\$
  - The Management Team may, when appropriate, enter into hedging transactions in respect of distributions for the six-month financial period ending 31 December 2013
  - Foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged

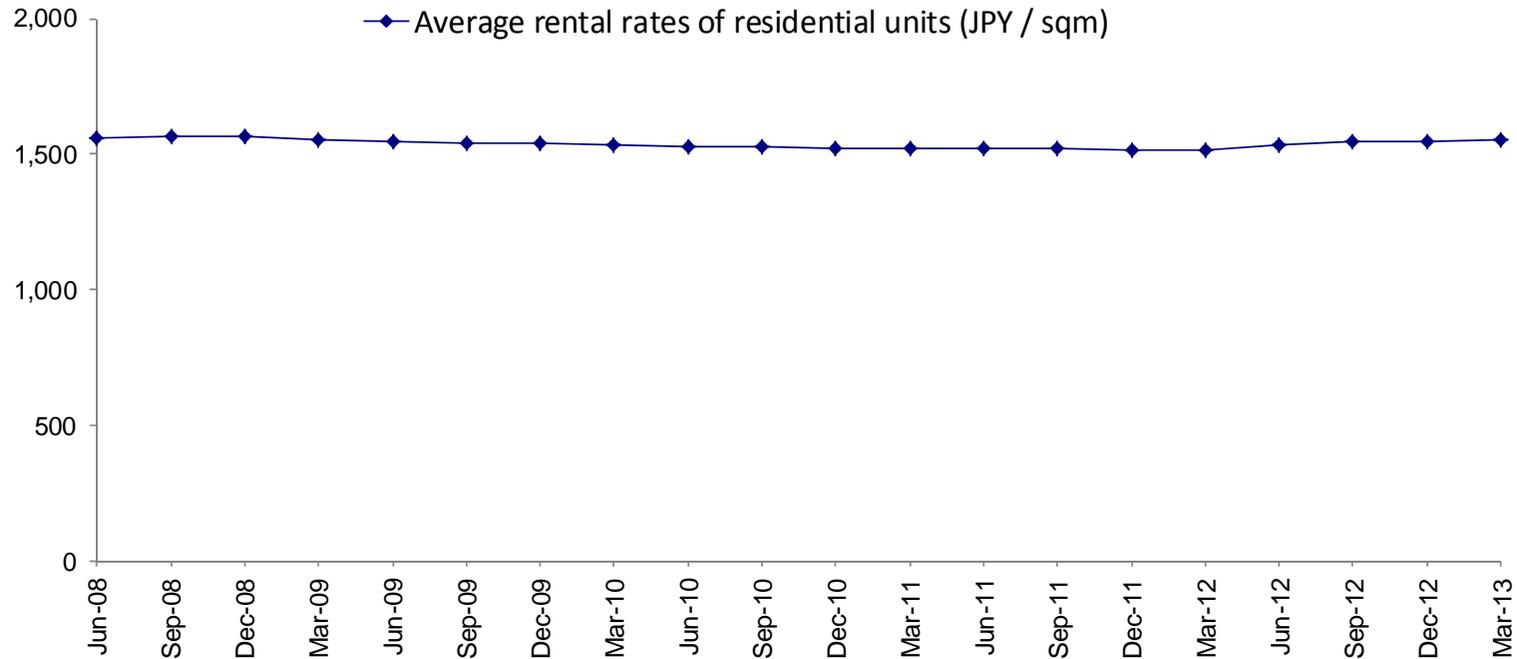
# Occupancy Rates

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



# Stable Rental Rates

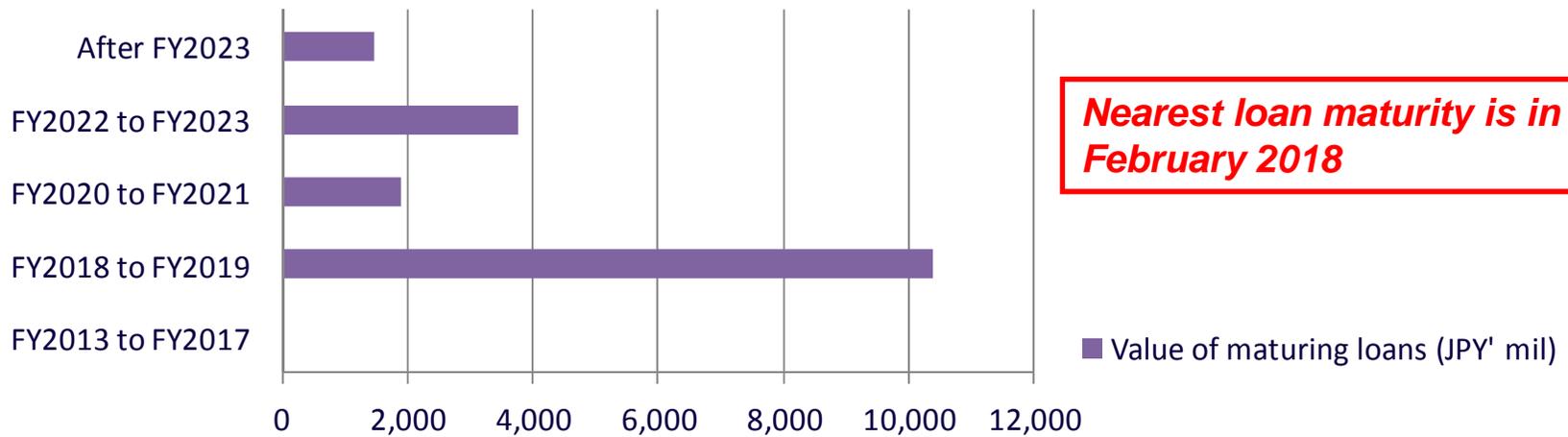
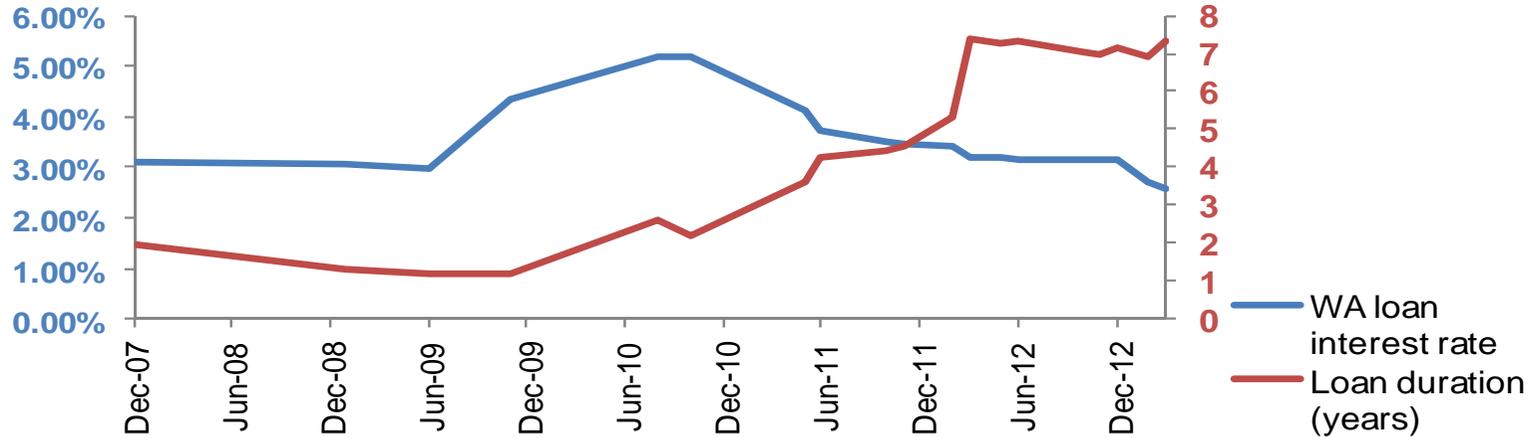
- Average rental rates maintained above JPY 1,500 / sqm (approx. S\$20 / sqm) since Jun 08



# Debt Profile

Company	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 Gyotatsu	<i>Unencumbered</i>					1,347.0		
GK Chosei	Tokyo Star Bank	Feb 2018	2.42	0.175	10,380.0	548.0	57.0	259.5
YK JOF						1,972.0		
YK Keizan						2,407.4		
YK Kokkei						3,118.6		
YK Shingen						6,101.8		
YK Shintoku						4,075.5		
YK Shinzan	Bank of Fukuoka	Mar 2020	2.223	0.175	1,900.0	4,393.1	43.2	100.0
GK Choan	Mizuho Bank	Mar 2022	2.91	0.3	2,850.0	10,228.7	27.9	150.0
GK Tosei		Jun 2022	2.81	0.3	679.0	1,712.0	39.7	28.0
GK Chogen	The Higo Bank	Mar 2023	3.075	-	251.0	635.0	39.5	20.7
		Dec 2032	3.175	-	197.5	420.0	47.0	10.0
GK Gyokou	Kumamoto Dai-ichi Shinkin Bank	Feb 2031	3.50	-	449.4	1,129.0	39.8	25.2
		Oct 2031	3.35	-	466.2	916.0	50.9	25.2
	Kumamoto Shinkin Bank	Dec 2032	3.175	0.3	137.7	280.0	49.2	7.0
GK Gyosei	Hiroshimashi Credit Cooperative	Jul 2041	2.55	-	71.6	130.0	55.1	2.5
		Sep 2041	2.50	-	132.6	271.0	48.9	4.7
<b>Grand Total</b>					<b>17,515.0</b>	<b>39,685.1</b>		<b>632.8</b>

# Debt Profile



# Acquisitions

	<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>Location</b>	Kumamoto	Tokyo	Tokyo	Sapporo	Kumamoto
<b>Date acquired</b>	Dec 2011	Mar 2012	May 2012	Jun 2012	Aug 2012
<b>Year built</b>	1999	2005	2004	2007	2012
<b>Purchase price (JPY'mil)</b>	901.7	559.6	1,117.7	530.7	428.0
<b>Valuation (JPY'mil)</b>	916.0	562.0	1,150.0	550.0	420.0
<b>NPI yield (at acquisition)</b>	8.0%	5.3%	5.7%	7.2%	6.4% (expected)
<b>Net lettable area (sqm)</b>	5,889	760	1,932	2,781	1,812

# Acquisitions

	<b>Cosmo Revoir Sangenjaya</b>	<b>Rise Shinoe</b>	<b>Clair Court Roka Koen</b>	<b>Cosmos Kokura Eki Mae</b>	<b>AS Residence Hakataekiminami</b>
					
<b>Location</b>	Tokyo	Kumamoto	Tokyo	Kitakyushu	Fukuoka
<b>Date acquired</b>	Aug 2012	Nov 2012	Feb 2013	Mar 2013	May 2013
<b>Year built</b>	1989	2003	1998	2006	2006
<b>Purchase price (JPY'mil)</b>	590.0	285.0	712.5	753.9	599.7
<b>Valuation (JPY'mil)</b>	593.0	280.0	716.0	762.0	585.0
<b>NPI yield (at acquisition)</b>	4.8%	6.8%	5.0%	6.6%	5.8%
<b>Net lettable area (sqm)</b>	1,189	1,556	1,621	3,063	1,949

# Property Acquisition vs Unit Buy-Back

- While the positive effects on DPU from Unit buy-backs at the current unit price may not be as compelling as that from the acquisition of properties, such dynamics can change and may affect Unit buy-back decisions
- 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

# Unit Buy-Back Activity

## Unit buy-back activity between 25 September 2012 and 14 December 2012

Number of Units bought back	5,620,000
Highest price paid per Unit	S\$0.174
Lowest price paid per Unit	S\$0.164
Total consideration (incl. brokerage, GST etc.)	S\$946,572.35

# Upcoming Plans

- Deployment of loan proceeds
  - Saizen REIT currently has approximately JPY 1.5 billion in undeployed loan proceeds, which can be used for further property acquisitions as well as the offsetting of loan amortisation

Property acquisitions financed by re-leveraging and other internal funds	Potential reported as at 31 March 2012 <sup>1</sup>	Achieved as at 8 May 2013
Increase in portfolio size	JPY 5.2 billion	JPY 5.1 billion
Increase in annual net property income <sup>2</sup>	JPY 375 million	JPY 337 million

**Notes:**

1. The potential amounts reported as at 31 March 2012 were based on management's estimates, assumptions and market conditions at that point in time, and are purely for illustration purposes only. It was assumed, amongst others, that properties to be acquired can achieve on average net property income yields of 7% and that loans can be obtained at loan-to-value ratios of 40%.

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

- Explore opportunities to raise funds with existing and new lenders via the use of unencumbered properties as collateral
- Continue with Unit buy-back activities when opportunities arise

# Key Financial Information

<b>Number of Units in Issue as at 8 May 2013</b>	1,418,763,795
<b>NAV attributable to Unitholders as at 31 March 2013 <sup>1</sup></b>	S\$349 million
<b>NAV per Unit as at 31 March 2013 <sup>1</sup></b>	S\$0.25
<b>Market capitalisation as at 8 May 2013 <sup>2</sup></b>	S\$284 million
<b>3Q FY2013 interest cover ratio</b>	5.9 times
<b>Gearing <sup>3</sup> / net gearing <sup>4</sup> as at 31 March 2013</b>	39% / 31%
<b>Unit Price (closing price as at 8 May 2013)</b>	S\$0.200
<b>52 week high / low</b>	S\$0.235 / S\$0.127

**Notes:**

1. Computed based on an exchange rate of JPY 76.0 : S\$1.00 as at 31 March 2013
2. Computed based on 1,418,763,795 Units in issue and Unit price of S\$0.200 as at 8 May 2013
3.  $Gearing = \frac{\text{Total borrowings}}{\text{Total assets}}$
4.  $Net\ gearing = \frac{\text{Total net borrowings (net of cash)}}{\text{Total value of Saizen REIT's investment properties}}$



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**Thank You**