



FY2013 Results Presentation



August 2013

www.saizenreit.com.sg

Disclaimer

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- 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

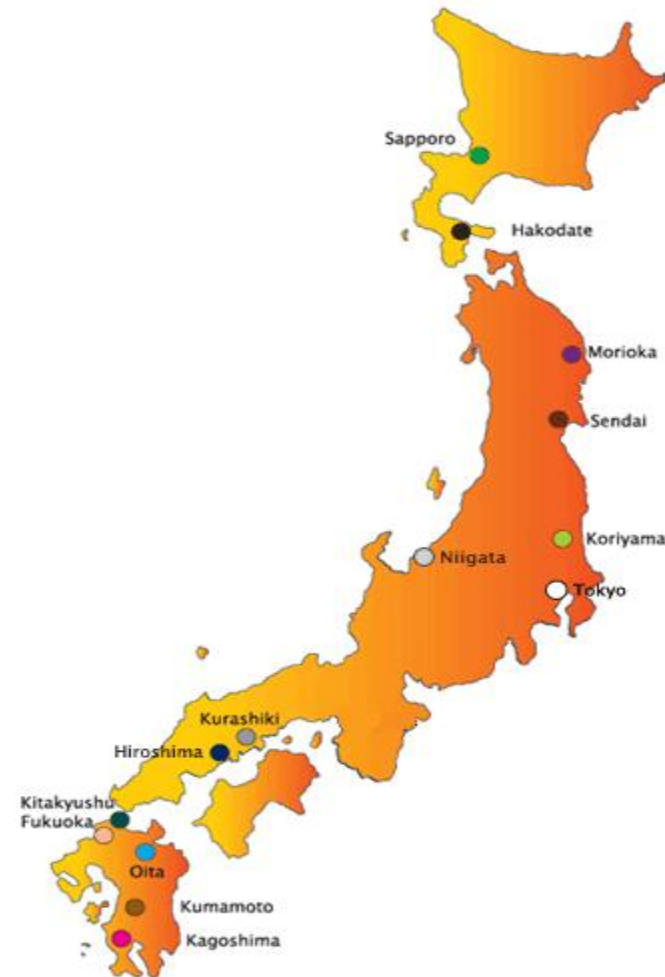
- Listed on SGX Mainboard in November 2007
- Only Singapore-listed REIT to offer access exclusively to Japanese residential properties
- Properties targeted at mass market tenants in 14 cities
- Size of portfolio: JPY 41.2 billion (S\$526 million¹)
- Saizen REIT has a corporate family rating of Ba3, 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 78.3 : S\$1.00 as at 30 June 2013.

Well-diversified Portfolio

Region	City	Portfolio distribution by revenue (%)
Kyushu	Kumamoto	17.0
	Kitakyushu	10.5
	Fukuoka	5.9
	Kagoshima	3.3
	Oita	0.8
		37.5
Hokkaido	Sapporo	24.2
	Hakodate	0.7
		24.9
Tohoku	Sendai	11.4
	Koriyama	2.7
	Morioka	1.5
		15.6
Chugoku	Hiroshima	14.2
	Kurashiki	0.3
		14.5
Kanto	Tokyo	5.2
Chubu	Niigata	2.3

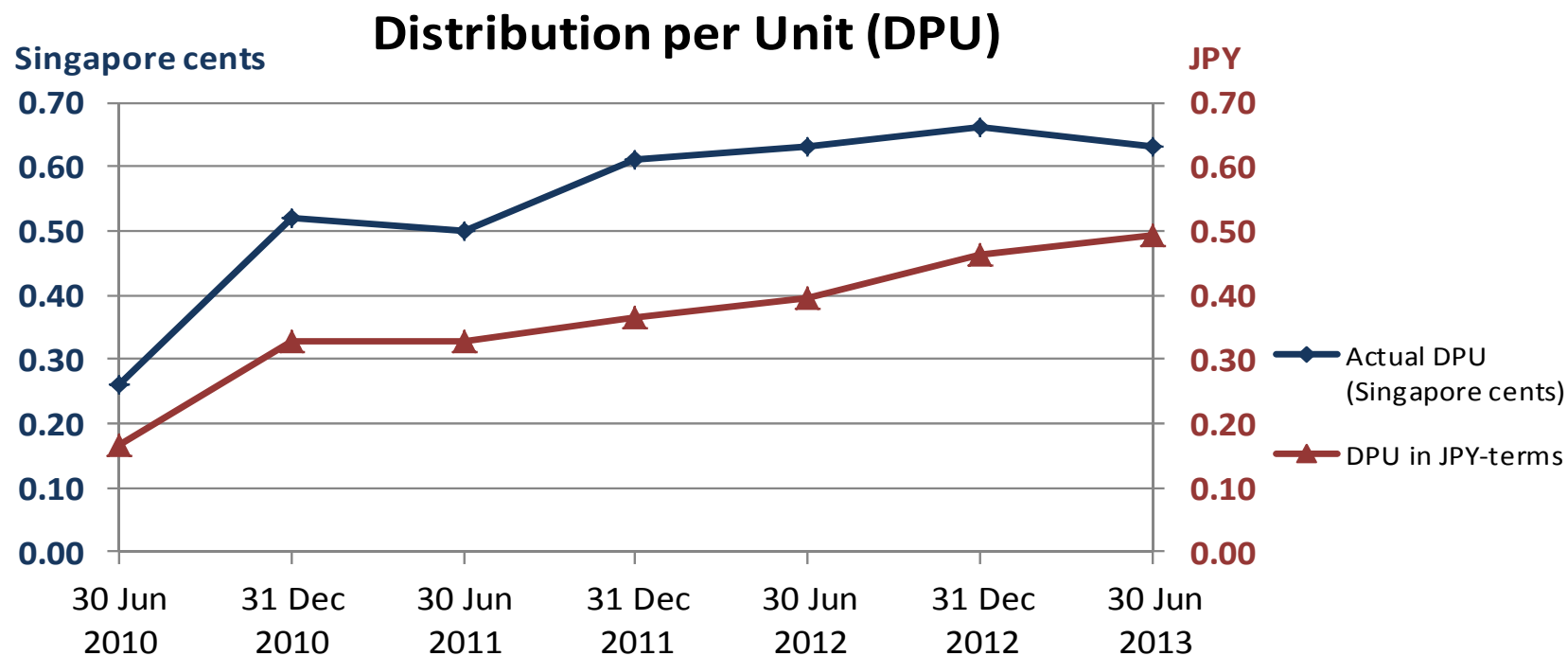
Total number of properties: 139



Distributions

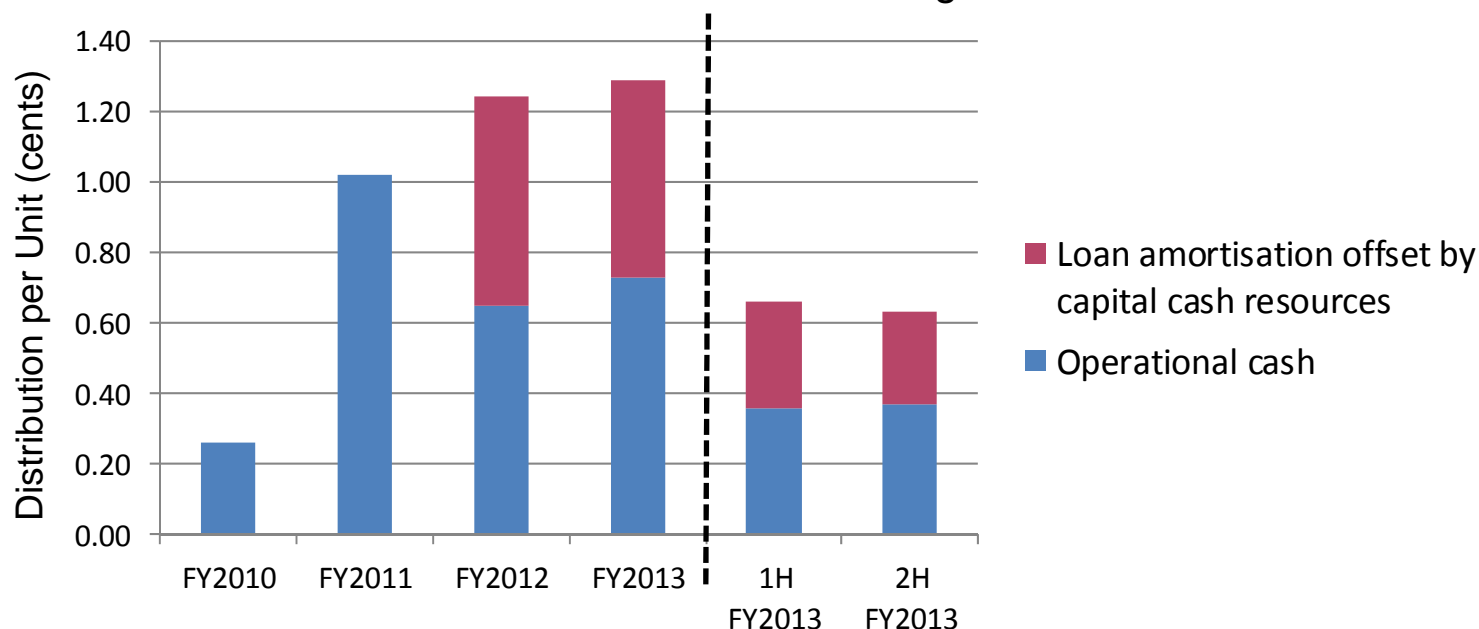
Recent distribution:

Distribution per Unit	0.63 Singapore cents
Distribution period	1 January 2013 to 30 June 2013
Date payable	24 September 2013



Distributions

- 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 principal amortisation amounts to approximately JPY 633 million annually
- Currently, Saizen REIT has unencumbered properties valued at approximately JPY 2.0 billion available to be used as collateral for new financing



FY2013 Overview

- Growth in revenue and net property income were driven by property acquisitions
 - Revenue and net property income increased by 9.7% and 13.6% in FY2013 as compared to FY2012
 - Net income from operations affected by one-off loan refinancing costs which 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
- Property operations remained stable
 - Average occupancy rate in FY2013 was 91.9% (FY2012: 91.4%)
 - Overall rental reversion of new contracts entered into in FY2013 was marginally lower by about 0.5% (FY2012: lower by about 2.1%) from previous contracted rates
 - The negative 0.4% overall rental reversion in 4Q FY2013 would have been positive 0.1% if the decrease in rental on 2 commercial units (previously contracted in 2000 and 2009) was excluded

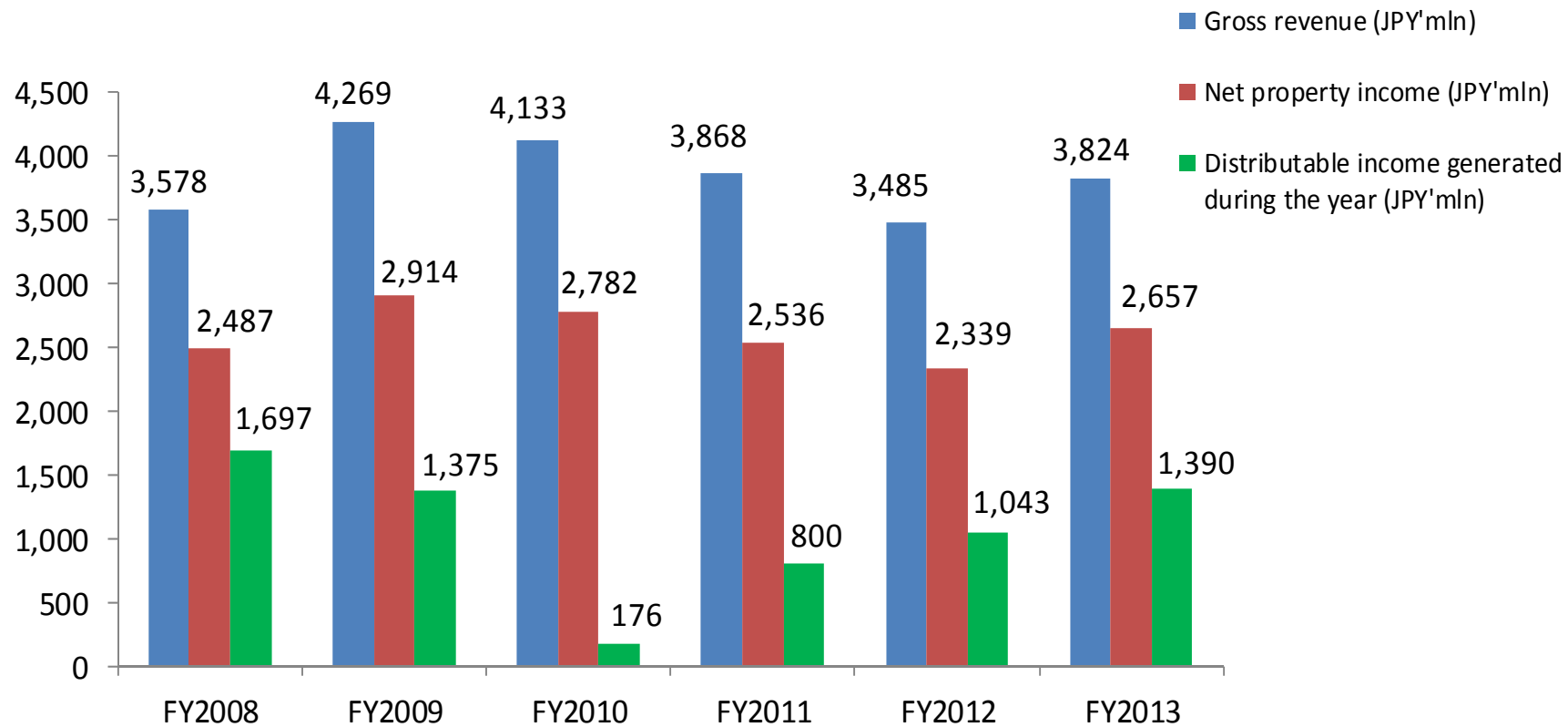
FY2013 Overview

- Acquired 7 properties and divested 2 properties
- Obtained 4 loans
 - 2 loans of JPY140 million and JPY 200 million were obtained by GK Gyokou and GK Chogen respectively in December 2012
 - Raised approximately JPY 3.8 billion in new loan proceeds from the refinancing of 4 loans with 2 new loans
 - 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 38%

FY2013 Overview

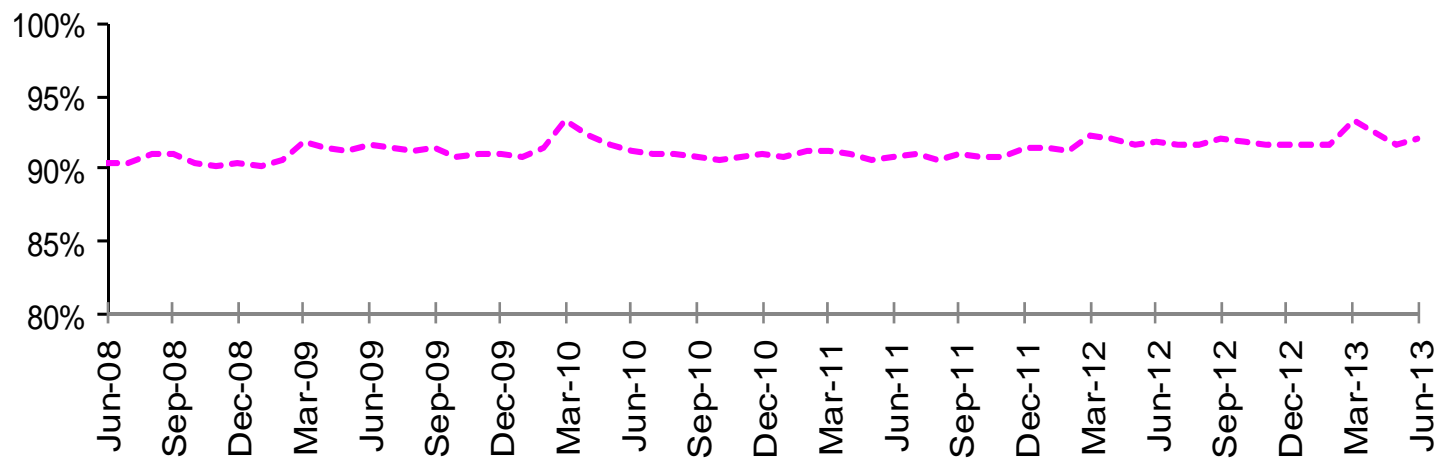
- The weakening of the JPY against the S\$ has weighed on Saizen REIT's net asset value and income in S\$-terms
 - As Saizen REIT's distributable income from operations is generated in JPY, its S\$-denominated distributions are dependent on the JPY-S\$ cross rates
 - Distribution payment for the six-month period ended 30 June 2013 hedged at an average rate of JPY75.12/S\$, while distribution payment for the six-month period ending 31 December 2013 hedged at an average rate of JPY81.15/S\$
 - The Management Team may, when appropriate, enter into hedging transactions in respect of distributions for the six-month financial period ending 30 June 2014
 - Foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged

Financial Performance



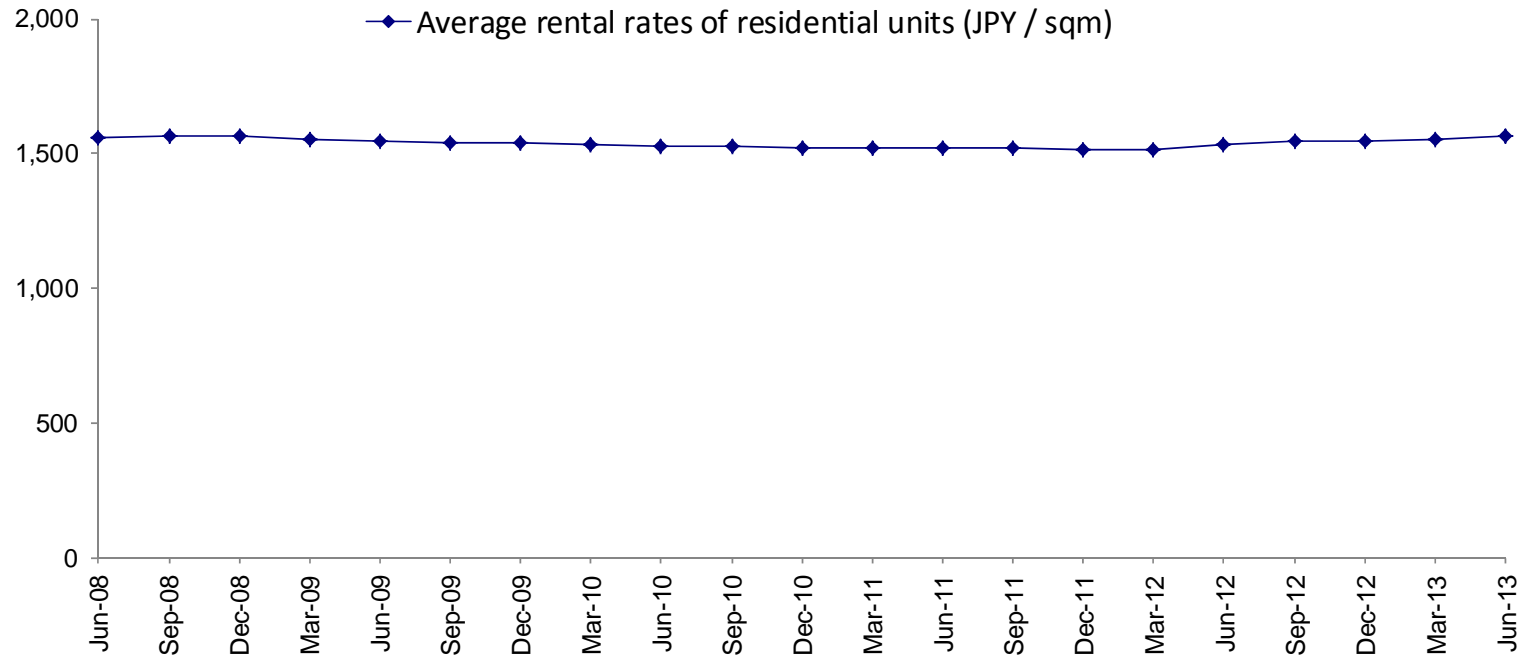
Occupancy Rates

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



Stable Rental Rates

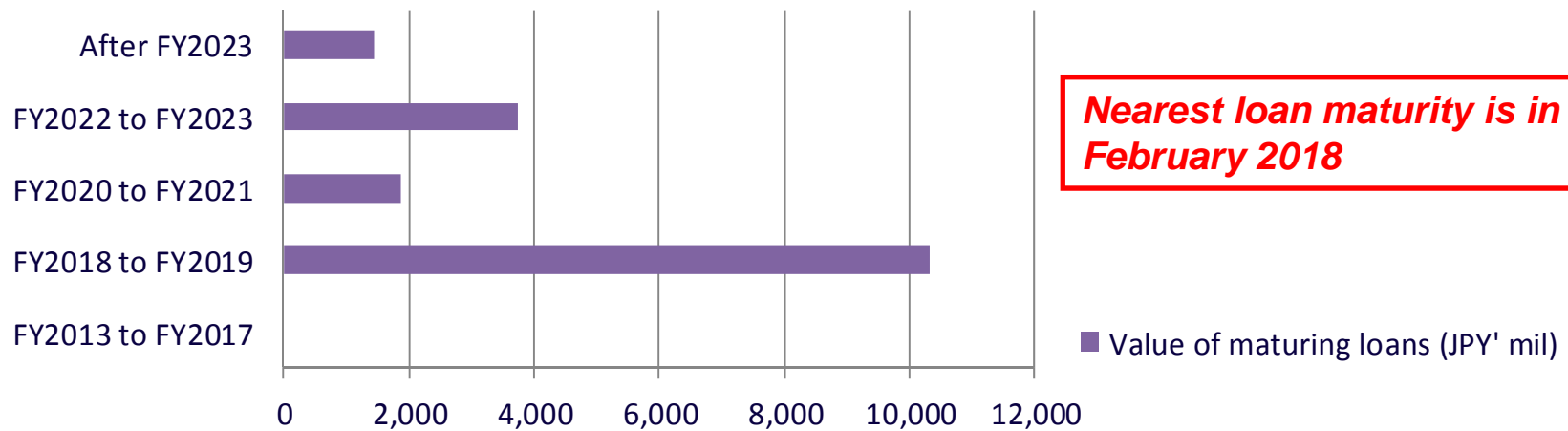
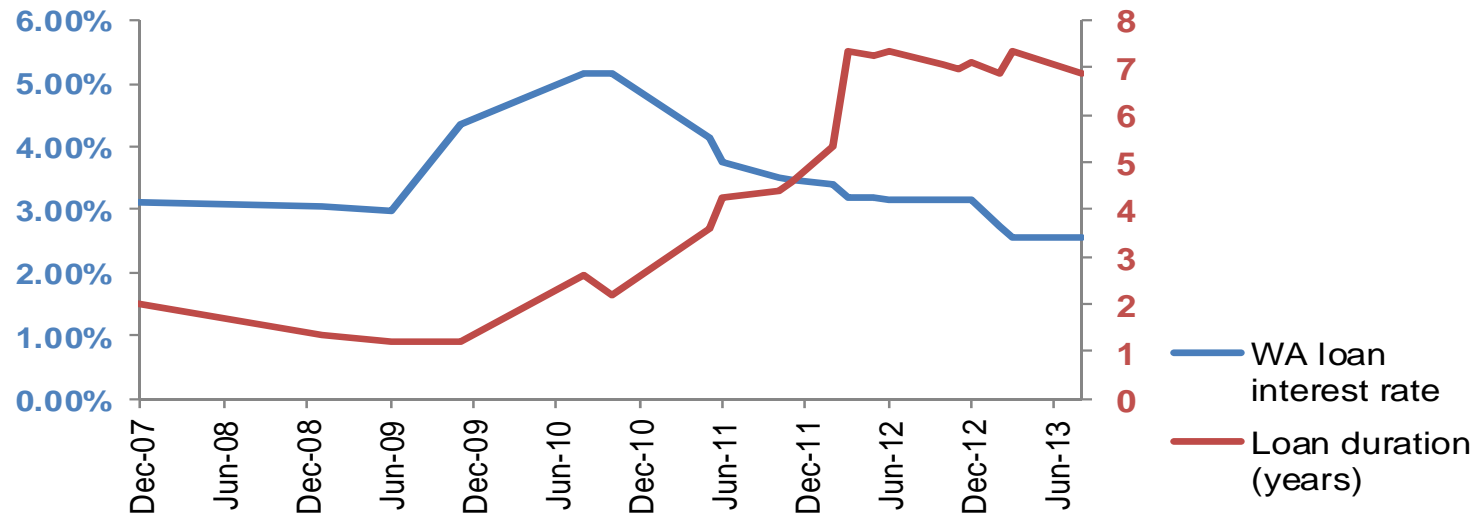
- Average rental rates maintained above JPY 1,500 / sqm (approx. S\$20 / sqm) since Jun 08



Debt Profile

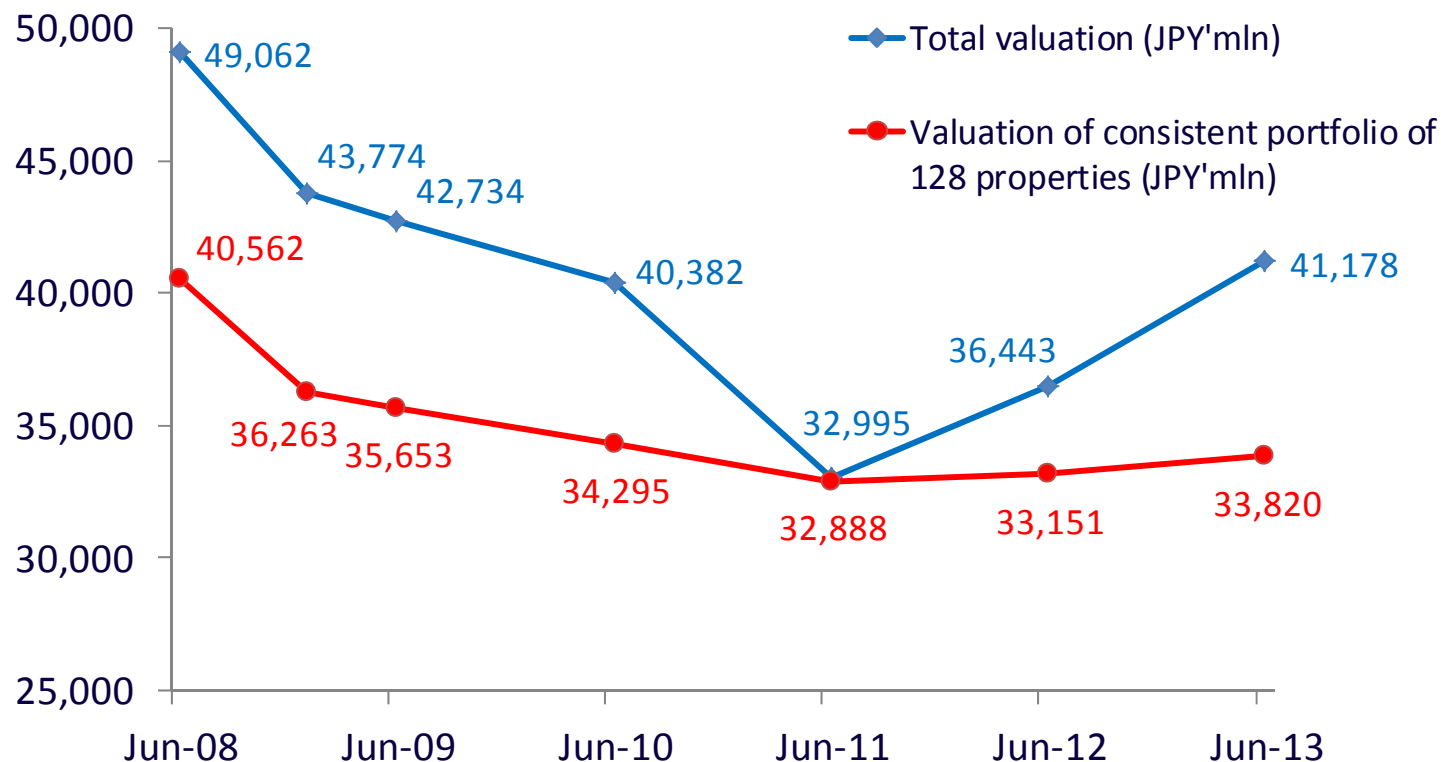
Company	Source of Debt	Maturity Date	Prevailing Interest Rate (%)	Guarantor Fee (%)	Loan Amount (JPY'mln)	Property Value (JPY'mln)	Loan-to-value (%)	Annual loan amortisation (JPY'mln)
GK Gyotatsu	<i>Unencumbered</i>					1,347.0		
GK Gyosei	<i>Unencumbered</i>					671.0		
GK Chosei	Tokyo Star Bank	Feb 2018	2.42	0.175	10,315.0	643.0	55.7	259.5
YK JOF						1,982.0		
YK Keizan						2,464.0		
YK Kokkei						3,188.0		
YK Shingen						6,136.7		
YK Shintoku						4,106.0		
YK Shinzan	Bank of Fukuoka	Mar 2020	2.223	0.175	1,875.0	4,547.7	41.2	100.0
GK Choan	Mizuho Bank	Mar 2022	2.91	0.3	2,812.5	10,486.1	26.8	150.0
GK Tosei		Jun 2022	2.81	0.3	672.0	1,756.0	38.3	28.0
GK Chogen	The Higo Bank	Mar 2023	3.075	-	245.7	643.0	38.2	20.7
		Dec 2032	3.175	-	195.0	425.0	45.9	10.0
GK Gyokou	Kumamoto Dai-ichi Shinkin Bank	Feb 2031	3.50	-	441.0	1,138.0	38.8	25.2
		Oct 2031	3.35	-	457.8	951.0	48.1	25.2
	Kumamoto Shinkin Bank	Dec 2032	3.175	0.3	135.3	286.0	47.3	7.0
GK Gyosei	Hiroshimashi Credit Cooperative	Jul 2041	2.55	-	70.9	136.0	52.1	2.5
		Sep 2041	2.50	-	131.5	271.0	48.5	4.7
Grand Total					17,351.7	41,177.5		632.8

Debt Profile



Nearest loan maturity is in February 2018

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 and 139 as at 30 June 2013
- Based on a consistent portfolio of 128 properties, valuations decreased between 2008 and 2011, and increased slightly in 2012 and 2013

Acquisitions in FY2013

	Rise Yotsugibashi	Cosmo Reveur Sangenjaya	Rise Shinoe	Clair Court Roka Koen
				
Location	Kumamoto	Tokyo	Kumamoto	Tokyo
Date acquired	Aug 2012	Aug 2012	Nov 2012	Feb 2013
Year built	2012	1989	2003	1998
Purchase price (JPY'mil)	428.0	590.0	285.0	712.5
Valuation (JPY'mil)	420.0	593.0	280.0	716.0
NPI yield (at acquisition)	6.4% (expected)	4.8%	6.8%	5.0%
Net lettable area (sqm)	1,812	1,189	1,556	1,621

Acquisitions in FY2013

	Cosmos Kokura Eki Mae	AS Residence Hakataeki- minami	Grand Polestone Tsurumi II
			
Location	Kitakyushu	Fukuoka	Hiroshima
Date acquired	Mar 2013	May 2013	Jun 2013
Year built	2006	2006	2008
Purchase price (JPY'mil)	753.9	599.7	670.0
Valuation (JPY'mil)	762.0	585.0	671.0
NPI yield (at acquisition)	6.6%	5.8%	6.1%
Net lettable area (sqm)	3,063	1,949	1,945

Property Acquisition vs Unit Buy-Back

- 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 is 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

Unit Buy-Back Activity

Unit buy-back activity between 25 September 2012 and 13 June 2013

Number of Units bought back	6,325,000
Highest price paid per Unit	S\$0.175
Lowest price paid per Unit	S\$0.164
Total consideration (incl. brokerage, GST etc.)	S\$1,069,849.96

Upcoming Plans

- Explore opportunities to raise funds with existing and new lenders via the use of unencumbered properties (valued at approximately JPY 2 billion) as collateral

Property acquisitions financed by re-leveraging and other internal funds	Potential reported as at 31 March 2012 ¹	Achieved as at 21 August 2013
Increase in portfolio size	JPY 5.2 billion	JPY 5.7 billion
Increase in annual net property income ²	JPY 375 million	JPY 378 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 .

- Renewal of Unit buy-back mandate and to continue with Unit buy-back activities when opportunities arise

Upcoming Plans: 5-to-1 Unit Consolidation

- Purpose: To reduce the magnitude of a single tick move on Saizen REIT's Unit trading price
- Magnitude: Once the Units trade at S\$0.20 and above (as they did in April and May of 2013), the price movement per tick of 0.5 cents will amount to as much as 2.5% of the total price of each Unit
- Effects: This can potentially have a positive effect on price discovery, investor interest and the trading volume of Saizen REIT Units

Key Financial Information

Number of Units in Issue as at 21 August 2013	1,418,058,795
NAV attributable to Unitholders as at 30 June 2013 ¹	S\$351 million
NAV per Unit as at 30 June 2013 ¹	S\$0.25
Market capitalisation as at 30 June 2013 ²	S\$261 million
4Q FY2013 interest cover ratio	6.0 times
Gearing ³ / net gearing ⁴ as at 30 June 2013	38% / 32%
Unit Price (closing price as at 21 August 2013)	S\$0.183
52 week high / low	S\$0.235 / S\$0.156

Notes:

1. Computed based on an exchange rate of JPY 78.3 : S\$1.00 as at 30 June 2013
2. Computed based on 1,418,058,795 Units in issue and Unit price of S\$0.184 as at 28 June 2013
3. Gearing = Total borrowings / Total assets
4. Net gearing = Total net borrowings (net of cash) / Total value of Saizen REIT's investment properties



Thank You