

Saizen Real Estate Investment Trust

(a real estate investment trust constituted on 27 September 2007 under the laws of the Republic of Singapore)

MATURITY DEFAULT OF YK SHINTOKU LOAN

The Board of Directors of Japan Residential Assets Manager Limited, as manager (the “**Manager**”) of Saizen Real Estate Investment Trust (“**Saizen REIT**”), wishes to announce the maturity default of the commercial mortgage-backed securities (“**CMBS**”) loan of YK Shintoku (the “**YK Shintoku Loan**”) on 2 November 2009. YK Shintoku is one of the nine *tokumei kumiai* (“**TK**”) operators of Saizen REIT. The YK Shintoku Loan was originally provided to YK Shintoku in 2005 by Credit Suisse Principal Investments Limited (Tokyo Branch). It was subsequently securitised and transferred to an issuer of CMBS (the “**Lender**”).

To the best of the Manager’s knowledge, as at the date of this announcement, the Manager expects that the maturity default of the YK Shintoku Loan will (i) not affect Saizen REIT’s ability to operate as a going concern, and (ii) not impair the ability of Saizen REIT and its subsidiaries (the “**Group**”) to obtain further financing from financial institutions. In the worst case scenario, the maturity default could lead to, among other consequences, the foreclosure of YK Shintoku, including the foreclosure of all of the properties under YK Shintoku (the “**YK Shintoku Properties**”). However, the Manager believes that the Lender will not immediately take foreclosure action upon this maturity default, and that it is possible to refinance the YK Shintoku Loan (with the approval of the Lender) as long as the YK Shintoku Properties have not been foreclosed on.

The main impact of this maturity default is the increase in the interest rate on the outstanding amount of the YK Shintoku Loan from 3.07% per annum to a default interest rate of 7.07% per annum, which would translate into an increase in interest expenses of approximately JPY 290.1 million per annum (S\$4.5 million⁽¹⁾) based on the current outstanding loan balance. While the Manager does not expect the foreclosure to occur immediately, for purposes of illustration and in the interest of transparency and disclosure, the financial impact on the Group, assuming the Foreclosure, is presented in the sub-section entitled “Pro forma financial effects of Foreclosure”.

The Manager will, in conjunction with the asset manager of Saizen REIT, KK Tenyu Asset Management (the “**Asset Manager**”), work closely together and with the loan servicer of the YK Shintoku Loan to develop a course of action following this maturity default. The maturity default is not expected to affect the normal operations of Saizen REIT or the listing of Saizen REIT on the Main Board of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), and the Manager is committed to ensuring the smooth running of Saizen REIT’s business.

¹ Based on the exchange rate of S\$1.00 to JPY 64.2 as at 2 November 2009, which is applied throughout this announcement unless stated otherwise.

Refinancing and deleveraging efforts in respect of the YK Shintoku Loan

The initial amount of the YK Shintoku Loan was JPY 7,953.0 million (S\$123.9 million). Following partial repayments as a result of partial asset divestments by YK Shintoku as described below, the outstanding loan amount of the YK Shintoku Loan is JPY 7,253.2 million (S\$113.0 million) as at the date hereof.

The Manager and Asset Manager had commenced the refinancing process of the YK Shintoku Loan since 2008, including appointing a financial adviser to arrange for syndicated loan financing and initiating direct discussions with the holders of the CMBS for possible loan restructuring and extension of loan maturity. Having reviewed all alternatives, there was no commercially viable solution available before the maturity of the YK Shintoku Loan. Notwithstanding, the Manager and Asset Manager will continue with the effort of seeking refinancing.

At the same time, as part of a deleveraging plan which was conducted to facilitate refinancing efforts in respect of the YK Shintoku Loan, the Asset Manager had been implementing a divestment program of the YK Shintoku Properties. As at the date of this announcement, five YK Shintoku Properties have been divested. The objective was to reduce the absolute amount of the YK Shintoku Loan and the leverage of the YK Shintoku portfolio so as to make the extension or refinancing of the YK Shintoku Loan more acceptable to current and potential lenders.

The CMBS market in Japan

The default of underlying loans of CMBS is not unique, as evidenced by a report of Fitch Ratings (“**Fitch**”) in July 2009⁽²⁾, which stated that Japanese CMBS “continue to see an unprecedented increase in underlying loan defaults”, with a majority of defaults resulting from the lack of refinancing options. The default rate on maturing loans and loans becoming due in Fitch-rated CMBS reached 53% in the first six months of 2009 and the overall default rate is expected to continue to rise under an “extremely challenging refinancing environment” in the near-to-medium term.

In a report issued by Moody’s Investors Service in September 2009⁽³⁾, the default rate of loans in Moody’s-rated Japanese CMBS more than doubled from January 2009 to July 2009, with the aggregate defaulted loan amount reaching JPY 160 billion in July 2009 and residential buildings making up the largest proportion of defaulted loan collateral.

In line with the observation by Fitch that the “disappearance” of lenders contributed to the lack of refinancing options, the Manager attributes the above developments principally to the abrupt shutdown of the Japanese CMBS market and their arrangers, mostly being western investment banks, following the sub-prime and global credit crisis in 2008.

² Source: Report by Fitch Ratings entitled “Japanese CMBS’ default of loans maturing in H109 reach 53%; sector placed on negative watch” dated 13 July 2009. Fitch Ratings has not provided its consent and is therefore not liable for such information. While the Manager has taken reasonable action to ensure that this information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

³ Source: Report by Moody’s Investors Service entitled “Japan CMBS 1H 2009: Surveillance Review” dated 9 September 2009. Moody’s Investors Service has not provided its consent and is therefore not liable for such information. While the Manager has taken reasonable action to ensure that this information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

Consequences of default on the YK Shintoku Loan

The YK Shintoku Loan is not cross-collateralised and there is also no cross-default in respect of the loans of the other TK operators. Given the non-recourse nature of the YK Shintoku Loan, the Manager expects that Saizen REIT's ability to operate as a going concern will not be affected.

Upon the default on the YK Shintoku Loan, the immediate impact is that YK Shintoku will be charged a default interest rate of 7.07% per annum (the pre-default interest rate was 3.07%) in respect of the outstanding amount of the YK Shintoku Loan. In addition, the Lender is entitled to:

- (i) utilise the available amounts in YK Shintoku's cash accounts towards repayment of the YK Shintoku Loan;
- (ii) foreclose on the YK Shintoku Properties, which entitles the Lender to sell the YK Shintoku Properties and apply the sale proceeds towards the repayment of the YK Shintoku Loan; and/or
- (iii) terminate the existing asset management agreement between YK Shintoku and the Asset Manager in respect of the YK Shintoku Properties.

The default of the YK Shintoku Loan does not necessarily mean the immediate foreclosure on the YK Shintoku Properties. Such foreclosure will be at the discretion of the Lender. The Lender will enforce its rights through the loan servicers which are based in Japan. Unless the Lender terminates its appointment, KK Tenyu Asset Management will continue to be engaged as the asset manager in respect of the YK Shintoku Properties. As at the date of this announcement, the Asset Manager has not received any notification from the Lender in respect of the termination of its services. In addition, as long as the YK Shintoku Properties have not been foreclosed on, the Asset Manager can and will continue its efforts to obtain refinancing of the YK Shintoku Loan. The YK Shintoku Loan, albeit in default, can be refinanced with the approval of the Lender in the event that the Asset Manager is able to obtain suitable refinancing.

Impact on the TK agreement with YK Shintoku and other existing contracts

The default on the YK Shintoku Loan will not affect the existing TK agreement entered into between YK Shintoku and HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Saizen REIT (the "**Trustee**"), on 18 December 2007 (the "**TK Agreement**"). Further, Saizen REIT, as the TK investor, is not expected to incur any additional liability or obligation in respect of YK Shintoku or the Lender under the TK Agreement, the Sponsor Arrangement (as defined below) or any other contract as a result of this maturity default. The default will not affect any of the other contracts which the Trustee or the Manager has entered into on behalf of Saizen REIT as at the date of this announcement.

The amount of TK contribution made by Saizen REIT, as the TK investor, in YK Shintoku as at the date of this announcement is JPY 4.1 billion. This initial investment amount may be returned by YK Shintoku to Saizen REIT to the extent that there are excess funds remaining after the YK Shintoku Loan is fully repaid.

Under a separate sponsor arrangement between Saizen REIT, as the TK investor, and the Lender (the "**Sponsor Arrangement**"), Saizen REIT is required to indemnify the Lender (until the YK Shintoku Loan is fully repaid) from losses arising from the occurrence of certain events such as fraud, misrepresentation or breach of covenants on the part of YK Shintoku under the YK Shintoku Loan. The default on the YK Shintoku Loan will not trigger Saizen REIT's liability under the Sponsor Arrangement. To the best of the Manager's knowledge, as at the date of this announcement, no event has occurred which would result in Saizen REIT having to indemnify the Lender under the Sponsor Arrangement.

Impact on the Group in the event of Foreclosure

The impact on the Group arising from the consequences of a foreclosure of YK Shintoku (the “**Foreclosure**”), based on the audited financial statements of the Group for the financial year ended 30 June 2009 (“**FY2009**”), is set out below.

Impact on Saizen REIT’s property portfolio

As at the date of this announcement, Saizen REIT’s property portfolio consists of 161 properties located in 13 Japanese cities. The properties are held by nine TK operators, each of which has entered into a TK agreement with the Trustee. The table below sets out certain information regarding Saizen REIT’s property portfolio.

TK Operator	Information on the Properties				
	Number of Properties	Aggregate Value ⁽¹⁾ (JPY million)	Aggregate Net Lettable Area ⁽²⁾ (sq m)	Aggregate Annual Rental Income ⁽³⁾	
				(JPY’000)	(S\$’000)
YK JOF	6	2,268.0	13,619.2	230,708.5	3,593.6
YK Kokkei	6	1,427.0	9,401.9	149,570.1	2,329.7
YK Keizan	11	2,754.5	15,642.7	255,213.8	3,975.3
YK Shintoku	51	9,074.1	52,298.4	885,881.3	13,798.8
YK Shinzan	16	4,796.8	27,289.9	444,286.7	6,920.3
YK Shingen	31	9,756.5	49,850.3	895,583.5	13,949.9
GK Choan	38	10,766.1	46,445.4	991,386.8	15,442.2
GK Chogen	1	656.0	2,796.4	55,487.9	864.3
Gk Chosei	1	552.1	1,665.1	52,135.2	812.1
Total	161	42,051.1	219,009.3	3,960,253.8	61,686.2

Notes:

- (1) Based on valuations carried out by independent valuers on 30 June 2009.
- (2) Based on the aggregate net lettable area of residential and commercial units as at 30 June 2009.
- (3) The annual rental income represents the annualised rental income of the properties in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

Based on the table above, the YK Shintoku Properties collectively constitute:

- (i) 21.6% of Saizen REIT’s property portfolio based on property valuations;
- (ii) 23.9% of Saizen REIT’s property portfolio based on the net lettable area of the properties;
and
- (iii) 22.4% of Saizen REIT’s property portfolio based on the annual rental income of the properties.

Pro forma financial effects of Foreclosure

The table below sets out the pro forma effects of the Foreclosure on the audited financial results of the Group for FY2009. The financial results of the Pro Forma Group are prepared based on the audited consolidated financial statements for FY2009 and the unaudited management accounts of YK Shintoku for FY2009.

The pro forma adjustments made to the net asset value (“NAV”) of the Group as at 30 June 2009 principally refer to the write off of YK Shintoku’s equity value.

	Group (JPY'000)	Pro Forma Group (excluding YK Shintoku) (JPY'000)
Pro forma financial effects on the financial performance of the Group for FY2009 assuming the Foreclosure had occurred on 1 July 2008:		
Gross revenue	4,268,751	3,254,919
Net property income	2,913,684	2,243,597
Interest expense ⁽¹⁾	1,152,441	857,125
Pro forma financial effects on the financial position of the Group assuming the Foreclosure had occurred on 30 June 2009:		
NAV ⁽²⁾	24,726,514	21,558,427
Number of Units as at 30 June 2009 ('000)	949,194	949,194
NAV per Unit (JPY)	26.05	22.71
NAV per Unit (\$)	0.41	0.35
Pro forma financial effects on the aggregate leverage of the Group assuming the Foreclosure had occurred on 30 June 2009:		
Total interest bearing loans	21,822,856	13,885,969
Total assets	50,188,150	38,703,945
Aggregate leverage (%)	43.5	35.9

Notes:

- (1) The audited interest expenses of the Group of JPY 1.2 billion include one-off refinancing costs of JPY 191.2 million and amortisation of capitalised loan commission of JPY 213.6 million. YK Shintoku’s interest expenses of JPY 295.3 million include the amortisation of capitalised loan commission of JPY 47.7 million.
- (2) The pro forma NAV is JPY 3.2 billion lower than the audited NAV of the Group due mainly to a JPY 4.9 billion impairment adjustment on the TK contribution in YK Shintoku. It should be noted that the TK contribution in YK Shintoku has decreased by JPY 0.8 billion as at date hereof and adjusting for this, the pro forma NAV will instead be JPY 2.4 billion lower than the audited NAV of the Group.

As previously disclosed in our FY2009 annual report, under the worst case scenario of the Foreclosure, the Manager estimates that the pro forma effect on the NAV of the Group will be a decrease of approximately 10% to the Group’s audited NAV of JPY 24.7 billion as at 30 June 2009 taking into account the effects as described in note 2 to the table above. As shown above, the aggregate leverage of the Group will decline from 43.5% to 35.9% in the event of the Foreclosure.

Status of other loans maturing in the financial years ending 30 June 2010 (“FY2010”), 30 June 2011 (“FY2011”) and 30 June 2012 (“FY2012”)

Apart from the YK Shintoku Loan, details of the other loans which are maturing in FY2010, FY2011 and FY2012 are set out in the table below:

TK Operator	Maturity Date	Loan Amount	
		(JPY'000)	(S\$'000)
YK Kokkei	November 2009	787,240	12,262.3
YK Shingen	December 2009	4,620,000	71,962.6
YK Keizan	January 2010	1,536,250	23,929.1
GK Chosei	May 2011	459,000	7,149.5
GK Choan	July 2011	5,900,000	91,900.3
Total		13,302,490	207,203.8

The Manager believes that, taking into account the current cash balance of Saizen REIT, the proceeds from the rights cum warrants issue of Saizen REIT which was completed in June 2009, the funds available under the JPY 1.0 billion (S\$15.6 million) loan obtained by YK JOF from Mizuho Bank Ltd on 30 September 2009 (which will mature in September 2019) and the operational cash flows of the Group, the loans of YK Kokkei, YK Shingen and YK Keizan as described in the table above can be fully repaid upon their respective maturity dates. Depending on the cash balance at such time, a short term bridging loan, which the Manager is currently in the process of arranging, may be drawdown.

Further information on the refinancing and repayment plans of the JPY 5.9 billion (S\$91.9 million) loan of GK Choan and JPY 459.0 million (S\$7.1 million) loan of GK Chosei will be provided when appropriate. In addition, the Manager will provide Unitholders with further updates in relation to the YK Shintoku Loan as and when appropriate.

Other Matters

As announced previously on 28 October 2009, Saizen REIT’s quarterly financial results for the period ended 30 September 2009 will be released before market opens on Wednesday, 11 November 2009. Unitholders are also reminded that the Unitholders information meeting will be held at The Fullerton Hotel Singapore, The Straits Room, Level 4, One Fullerton Square, Singapore 049178, on Wednesday, November 11, 2009 at 10.30 am.

BY ORDER OF THE BOARD OF DIRECTORS

Chang Sean Pey (Mr.)
Chief Executive Officer

Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As manager of Saizen Real Estate Investment Trust
3 November 2009

Important Notice

This announcement 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, (including employee wages, benefits and training costs), 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.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, 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.

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

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Saizen REIT and the Manager is not necessarily indicative of the future performance of Saizen REIT and the Manager.

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For Immediate Release

SAIZEN REIT REPORTS MATURITY DEFAULT OF LOAN

- **Does not affect ability to operate as a going concern**
- **Immediate foreclosure not expected – refinancing still possible**
- **Main impact is default interest rate of 7.07% per annum**

Singapore, 3 November 2009 – Japan Residential Assets Manager Limited (the “**Manager**”), as manager of Saizen Real Estate Investment Trust (“**Saizen REIT**”), has announced the maturity default of a JPY 7.253 billion (S\$113.0 million⁽⁴⁾) commercial mortgage-backed securities loan (the “**YK Shintoku Loan**”) on 2 November 2009.

Despite efforts since early 2008, no commercially viable solution was available before the maturity of the YK Shintoku Loan. This loan is non-recourse and its default is not expected to affect other portfolios or loans of Saizen REIT. The maturity default is also not expected to affect Saizen REIT’s ability to operate as a going concern, nor impair its ability to obtain further financing from financial institutions.

The main impact of this maturity default is an increase in the interest rate from 3.07% to a default rate of 7.07% per annum. Immediate foreclosure by the lender of the YK Shintoku Loan is not expected, and refinancing of the YK Shintoku Loan is still possible with the consent of the lender. In the event of a foreclosure of YK Shintoku, the pro forma impact on Saizen REIT’s net asset value (based on its audited financial statements as at 30 June 2009) will be a reduction of about 10%.

Mr. Chang Sean Pey, Chief Executive Officer of the Manager, said: “The default of this loan is not indicative of the overall financial health of Saizen REIT. Our property operations have remained stable despite the economic downturn and all of them continue to generate a strong cash flow and operate at more than 90% occupancy. Meanwhile, we will work closely with our asset manager and the lender of the YK Shintoku Loan to devise a viable solution and efforts to refinance the YK Shintoku Loan will continue.”

The Manager believes that given time, continued progress can be made in forming new banking relationships, as evidenced by the new loan obtained by YK JOF on reasonable terms in September 2009.

The Manager expects to fully repay the other loans maturing over the period from November 2009 to January 2010.

- ENDS -

⁴ Based on the exchange rate of S\$1.00 to JPY 64.2 as at 2 November 2009.

For media queries, please contact:

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About Saizen REIT

Saizen REIT was listed on the Main Board of the Singapore Exchange on 9 November 2007. It is the only Singapore-listed real estate investment trust with purely Japanese regional residential properties. Saizen REIT was established with the principle objective of investing in a diversified portfolio of income-producing real estate located in Japan, which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing. Through investing in assets with attractive cash flow growth and capital gains prospects, Saizen REIT aims to deliver regular and stable distributions to Unitholders and achieve long-term growth in distributions and NAV per Unit.

Morgan Stanley is the Financial Adviser to the Offering and, together with Credit Suisse, is Joint Bookrunner and Underwriter. Nomura Singapore Limited is the Sub-underwriter and UOB Asia Limited is the Co-ordinator of the Public Offer in Singapore.

1.1.1 About The Sponsor

Japan Regional Assets Manager Limited is an investment management company specialising in the investment management of real estate assets in regional cities across Japan. It is one of the largest operators in the Japanese regional residential property market. Over the last three years, the property portfolio managed by its key personnel has grown from 25 as at 30 June 2004 to more than 200 today.

1.1.2 About The Manager

Japan Residential Assets Manager Limited is a wholly-owned subsidiary of the Sponsor, responsible for Saizen REIT's investment and financing strategies, asset acquisition and divestment policies, and the overall management of Saizen REIT's real estate and real estate-related assets. The Management Team possesses extensive experience and expertise in managing investments in the Japanese regional residential property markets.