


Babcock & Brown Japan Property Trust

Highlights

- Half year to 31 December 2005 DPU 4.38¢ consistent with forecast in November 2005 PDS (PDS #2)
- Total portfolio occupancy (by area) improved from 97.2% at 30 June 2005 to 98.3% at 31 December 2005
- 11 of the 12 original properties revalued with an increase of 8.2% (approx. ¥4bn / \$47m)
- Following property revaluations and finalisation of the portfolio acquisitions in January 2006, proforma gearing ratio reduced from 52.9% to 50.5%
- Interest coverage ratio for the half year to 31 December 2005 of over 6x

Property Performance - Half year to 31 December 2005

	Actual \$'000	PDS#2 \$'000	Var \$'000	FX Var	Other Var	Actual ¥'000	PDS#2 ¥'000	Var ¥'000	Var %
Income									
<i>Property income</i>									
Property revenue	17,835	18,554	(719)	(1,573)	855	1,531,691	1,457,424	74,267	5.1%
Property expenses	2,982	3,026	(44)	257	(223)	255,912	237,705	18,208	7.7%
Net property income	14,853	15,528	(674)	(1,317)	632	1,275,779	1,219,720	56,059	4.6%
<i>Net income from property investment in associates (Kawasaki Dice)</i>									
Share of property income of associates	4,255	4,501	(246)	(381)	135	365,121	353,552	11,569	3.3%
Share of property expenses of associates	1,854	2,058	(204)	174	(30)	159,070	161,661	(2,591)	-1.6%
Share of borrowing costs of associates	435	465	(30)	39	10	37,368	36,551	817	2.2%
Share of other expenses of associates	42	0	42	0	42	3,503	0	3,503	100.0%
Share of profits from associates	1,923	1,978	(438)	(167)	157	165,179	155,340	9,839	6.3%

Property results

- PDS #2 model used the actual locked in distribution hedge JPY/AUD exchange rate of ¥79 per \$1 vs. an average exchange rate during the 6 month period of ¥86 per \$1 used for accounting purpose.
- TK net property income ¥56m (A\$0.6m) higher than forecast.
 - gross property revenue higher due to earlier than forecast property acquisitions of Mukomachi Saty and OS Tsukiji contributing ¥22m to net property income
 - slightly higher than forecast occupancy rates and cancellation fees during the period

- - Solid leasing results (from 1 July to 31 December 2005):
 - Expired leases: 43 leases, 3,173 tsubo (10,470 square metres)
 - 100% of leases and space renewed
 - no change in rents at renewal
 - Cancelled leases: 18 leases, 1,150 tsubo (3,794 square metres)
 - New leases: 19 new leases, 1,298 tsubo (4,283 square metres)
 - Net lease increase: 148 tsubo (489 square metres)

Retail Portfolio – Half Year to 31 December 2005



- Total rentable area 26,300 tsubo (86,937 square metres)
- 38 leases
- No leases expired during the period
- Cancelled leases: 2 leases, 48 tsubo (159 square metres)
- New leases: 4 new leases, 125 tsubo (412 square metres)
- Net lease increase: 77 tsubo (253 square metres)

Office Portfolio – Half Year to 31 December 2005

- Total rentable area 9,024 tsubo (29,831 square metres)
- 148 leases
- Expired leases: 43 leases, 3,173 tsubo (10,470 square metres)
 - 100% of leases and space renewed
 - no change in rents at renewal
- Cancelled leases: 16 leases, 1,101 tsubo (3,633 square metres)
- New leases: 15 new leases, 1,173 tsubo (3,871 square metres)
- Net lease increase: 71 tsubo (236 square metres)

Portfolio Summary – as at 31 January 2006

Total portfolio

- 314 leases
- 299 cancellable leases
- 15 non-cancellable leases

Retail

- 9 properties
- 97,045 square metres net rentable area (NRA)*
- 64.3% of total portfolio by area*
- 47.1% of total portfolio by income
- 50 leases
- 37 cancellable leases
- 13 non-cancellable leases

Office

- 17 properties
- 47,946 square metres net rentable area (NRA)*
- 31.7% of total portfolio by area*
- 49.2% of total portfolio by income
- 194 leases
- All standard cancellable leases

Residential

- 3 properties
- 6,009 square metres net rentable area (NRA)
- 4.0% of total portfolio by area
- 3.7% of total portfolio by income
- 70 leases
- 68 cancellable leases
- 2 non-cancellable leases

* Reflects BJT's percentage interests in Kawasaki Dice and Shinjuku Sanei

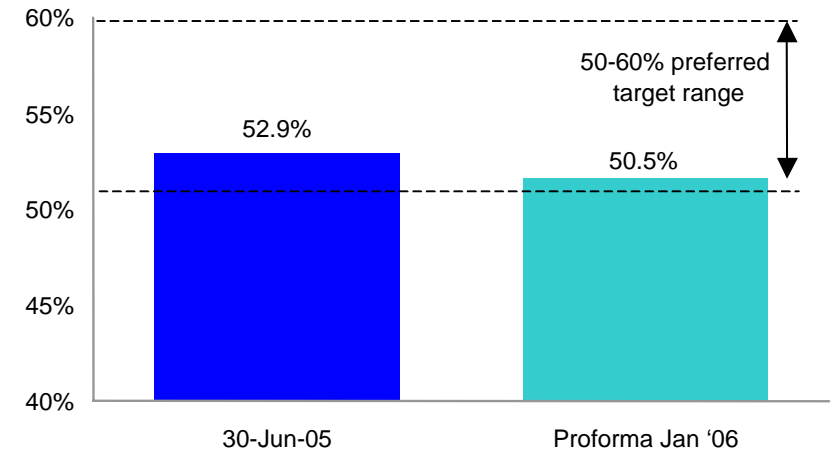
Portfolio Summary – as at 31 January 2006 (cont.)

	Trust's Undivided Interest	Trust share of net rentable area (sqm)	CARRYING VALUE		OCCUPANCY BY AREA		OCCUPANCY BY INCOME	
			Jan 2006 ¥ billions	% of portfolio	Nov 2005	Jan 2006	PDS#2 Model for Jan 2006	Jan 2006
<i>Retail</i>								
Kawasaki Dice	48%	13,239	14.2	15.8%	100.0%	100.0%	99.0%	100.0%
Konan Home Centre	100%	48,819	10.8	12.0%	100.0%	100.0%	100.0%	100.0%
Mukomachi Saty	100%	22,528	5.0	5.6%	100.0%	100.0%	100.0%	100.0%
Shinjuku Fuji	100%	1,476	4.8	5.3%	100.0%	100.0%	100.0%	100.0%
Harajuku Bell Pier	100%	766	2.4	2.7%	93.7%	86.9%	92.0%	84.0%
Kuroshio Shijo	100%	1,585	2.4	2.7%	100.0%	100.0%	100.0%	100.0%
Motomachi	100%	1,585	2.3	2.5%	93.8%	100.0%	97.1%	100.0%
Sapporo Toys 'R' Us	100%	6,163	1.8	2.0%	97.3%	97.3%	95.0%	97.7%
Kajicho Ekimae	100%	884	1.2	1.3%	100.0%	100.0%	97.5%	100.0%
Retail sub total / average		97,045	44.8	49.9%	99.7%	99.7%	99.4%	99.7%
<i>Office</i>								
Shinjuku Sanei	39%	8,141	9.2	10.2%	95.8%	99.1%	93.0%	99.3%
Ginza Dowa	100%	6,344	7.8	8.7%	88.2%	93.5%	90.0%	94.5%
Kokusai Nihombashi	100%	4,398	5.8	6.5%	100.0%	100.0%	100.0%	100.0%
Sun	100%	3,673	3.3	3.6%	90.1%	90.1%	89.1%	90.2%
Higashi Totsuka	100%	5,671	2.7	3.0%	90.4%	90.4%	91.0%	91.2%
Sun Ace Tokugawa	100%	6,235	2.3	2.5%	40.5%	56.5%	60.0%	59.4%
Forest Kita Aoyama	100%	862	1.6	1.8%	100.0%	100.0%	100.0%	100.0%
OS Tsukiji	100%	2,169	1.6	1.8%	100.0%	100.0%	100.0%	100.0%
Prime Kanda	100%	1,680	1.4	1.5%	57.1%	85.7%	60.0%	86.7%
Shiba Daimon	100%	966	1.0	1.1%	100.0%	100.0%	100.0%	100.0%
Prime Tsukiji	100%	1,330	0.9	1.1%	100.0%	100.0%	100.0%	100.0%
Yotsuya KD	100%	1,200	0.8	0.9%	83.1%	83.1%	93.0%	86.4%
Akabane	100%	1,084	0.8	0.9%	100.0%	100.0%	95.0%	100.0%
Daikanyama Takara	100%	965	0.8	0.9%	100.0%	100.0%	95.0%	100.0%
Showa Yakubo	100%	1,241	0.7	0.8%	60.0%	69.6%	70.0%	76.0%
FT Nihombashi	100%	1,182	0.6	0.6%	100.0%	100.0%	95.0%	100.0%
Sun No. 5	100%	805	0.5	0.5%	100.0%	100.0%	87.0%	100.0%
Office sub total / average		47,946	41.6	46.3%	85.1%	89.7%	87.5%	90.6%
<i>Residential</i>								
G-Clef Kamata	100%	3,310	1.9	2.1%	100.0%	100.0%	100.0%	100.0%
Prime Stay Tsukiji	100%	1,209	0.8	0.9%	97.2%	97.2%	95.0%	95.1%
Nishi Kasai	100%	1,490	0.7	0.8%	100.0%	100.0%	100.0%	100.0%
Retail sub total / average		6,009	3.4	3.8%	99.4%	99.4%	99.0%	99.0%
Total / average		151,000	89.8	100%	95.1%	96.5%	95.6%	96.8%

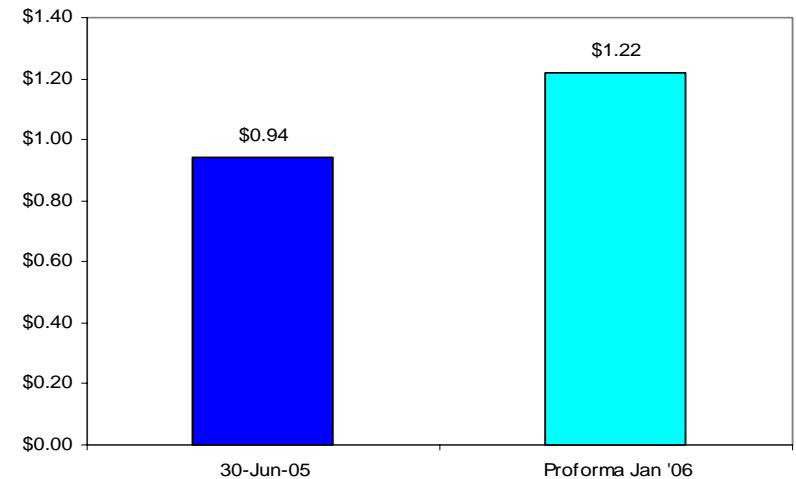
Revaluations

- 11 of the 12 IPO properties revalued
 - 8.2% increase
 - ¥4 billion (A\$47million)
 - Average valuation direct cap rates decreased from 5.42% to 4.95%
- Including properties acquired in January 2006, total assets: ¥89.8bn (\$1.04bn)
- Gearing ratio (interest bearing debt / property value) is at the low end of the preferred target range
 - Preferred range 50-60%
 - Currently 50.5%
- Substantial capacity to pursue accretive, debt funded acquisition opportunities
- NTA per unit increase from \$0.94 as at June 2005 to \$1.22 (proforma January 2006)

Gearing Ratio



Revised NTA per unit



Revaluations (cont.)

Revalued Portfolio at 31 December 2005

Property name	Book value as at 31/12/05 pre revaluations (¥m)	Book value as at 31/12/05 post revaluations (¥m)	Direct cap rate used at IPO	Direct cap rate used at revaluation
<i>Retail Properties</i>				
Kawasaki Dice (48% interest)	13,149	14,189	5.25%	4.75%
Konan Home Centre ⁽¹⁾	10,309	10,800	6.00%	6.00%
Mukomachi Saty ⁽²⁾	5,010	5,010	-	5.00%
Harajuku Bell Pier	2,071	2,390	4.50%	4.00%
Motomachi	2,128	2,270	5.25%	4.75%
Retail sub-total/average	32,667	34,659	5.25%	4.90%
<i>Office Properties</i>				
Shinjuku Sanei	8,333	9,180	5.25%	5.00%
Ginza Dowa	7,491	7,770	5.50%	5.00%
Sun ⁽³⁾	3,270	3,270	5.25%	4.75%
Higashi Totsuka	2,233	2,670	6.00%	5.50%
Forest Kita Aoyama	1,458	1,610	4.75%	4.25%
OS Tsukiji ⁽²⁾	1,600	1,600	-	4.75%
Shiba Daimon	822	990	5.50%	5.00%
Yotsuya KD	656	773	5.50%	5.00%
Sun No. 5	413	457	6.25%	5.50%
Office sub-total/average	26,276	28,320	5.50%	4.97%
Total value at 31 December 2005	58,943	62,979	5.42%	4.95%

(1) Change in Konan Home Centre valuation due to change in valuer's terminal cap rate from 5.5% to 5.0%.

(2) Mukomachi Saty and OS Tsukiji were not revalued in December 2005 due to their acquisition that month. Direct cap rate reflects the rate used for valuation at purchase.

(3) The Sun property was not revalued as the carrying value was not materially different to the revised revaluation.

Achievements since IPO in April 2005

- - Total assets have grown from \$550m to \$1bn
 - Highly accretive acquisitions: forecast distribution for half year to June '06 of 4.98¢ vs 4.35¢ per IPO PDS (increase of 14.5%)
 - Revaluation 8.2% (\$47m) increase
 - Decrease in gearing level from 52.9% to 50.5% (proforma Jan '06)
 - Portfolio expanded from 12 to 29 assets:
 - 9 retail properties: 50% (by value)
 - 17 office properties: 46% (by value)
 - 3 residential properties: 4% (by value)
 - Expanded management team
 - 15 professionals in Tokyo and 2 in Sydney



Appendices

Financial Results - Half Year to 31 December 2005

	Actual \$'000	PDS#2 \$'000	Actual ¥'000	PDS#2 ¥'000
Income				
<i>Property income</i>				
Property revenue	17,835	18,554	1,531,692	1,457,424
Property expenses	2,982	3,026	255,914	237,705
Net property income	<u>14,853</u>	<u>15,528</u>	<u>1,275,778</u>	<u>1,219,720</u>
<i>Net Income from Property Investment in Associates</i>				
Share of property income of associates	4,255	4,501	365,121	353,552
Share of property expenses of associates	1,854	2,058	159,070	161,661
Share of borrowing costs of associates	435	465	37,368	36,551
Share of other expenses of associates	42	0	3,503	0
Fair value adjustments for investment properties (30%)	10,895	0	939,000	0
Discount on acquisition of 18% interest	1,108	0	95,356	0
Share of profits from associates	<u>13,926</u>	<u>1,978</u>	<u>1,199,536</u>	<u>155,340</u>
Fair value gain on derivatives - unrealised	4,882	6,504	420,487	510,903
Net foreign currency loss	(382)	0	(32,891)	0
Income from foreign currency capital hedge	1,888	1,798	162,594	141,275
Interest compensation revenue	181	189	15,558	14,884
Interest income	740	322	63,765	25,287
Fair value adjustments for investment properties	31,386	0	2,703,382	1
Total income	<u>67,474</u>	<u>26,319</u>	<u>5,808,208</u>	<u>2,067,411</u>
Expenses				
Asset management fee expense	1,566	1,429	134,404	112,255
Borrowing expense	1,631	1,770	140,029	139,022
Withholding tax	2,208	2,345	190,150	184,172
Deferred withholding tax	10,242	378	883,105	29,671
Other expenses	906	565	77,789	44,420
TK Operator profit share	100	106	8,592	8,339
Total expenses	<u>16,654</u>	<u>6,593</u>	<u>1,434,069</u>	<u>517,879</u>
Net profit	<u>50,820</u>	<u>19,726</u>	<u>4,374,139</u>	<u>1,549,532</u>

Financial Position as at 31 December 2005

	31/12/05 \$'000	30/06/05 \$'000	31/12/05 ¥'000	30/06/05 ¥'000
Current assets				
Cash	167,377	23,862	14,425,306	2,007,723
Tenant deposits	11,737	10,105	1,011,564	850,250
Derivative financial instruments	12,224	1,473	1,053,521	123,938
Other assets	2,901	8,431	250,022	709,382
Total current assets	194,239	43,871	16,740,412	3,691,292
Non-current assets				
Property investments	566,116	466,092	48,790,485	39,216,828
<i>Investment in associates</i>				
Share of property assets of associates	164,633	94,236	14,188,800	7,929,000
Share of borrowings of associates	79,142	51,379	6,820,800	4,323,000
Share of other net assets of associates	6,395	3,996	551,154	336,196
Net investment in associates	91,886	46,853	7,919,154	3,942,196
Derivative financial assets	0	4,275	0	359,697
Deferred tax asset	677	0	58,347	0
Other	588	365	50,677	30,711
Total non-current assets	659,267	517,585	56,818,663	43,549,432
Total assets	853,506	561,456	73,559,075	47,240,724
Current liabilities				
Payables	15,530	12,406	1,338,447	1,043,837
Tenant deposits	26,902	25,652	2,318,538	2,158,351
Provisions	12,268	6,302	1,057,313	530,248
Derivative financial liabilities	984	0	0	0
Current tax liability	1,974	867	170,128	72,949
Total current liabilities	57,658	45,227	4,884,426	3,805,385
Non-current liabilities				
Payables	3,948	4,048	340,257	340,597
Tenant deposits	4,641	4,754	399,983	400,000
Borrowings	260,015	245,005	22,409,291	20,614,640
Deferred tax liability	11,096	176	956,304	14,809
Total non-current liabilities	279,700	253,983	24,105,835	21,370,046
Total liabilities	337,358	299,210	28,990,261	25,175,431
Net assets	516,148	262,246	44,568,814	22,065,292
Net tangible assets per unit	\$1.20	\$0.92		
Gearing ratio (liabilities/assets)	39.5%	53.3%		
Gearing ratio (interest bearing debt/property)	46.4%	52.9%		
Gearing ratio (interest bearing debt/total assets)	36.4%	48.4%		

Net Profit for Half Year to 31 December 2005

Net profit adjusted for significant AIFRS items	6 mths ended 31/12/05 \$'000	PDS#2 model \$'000	6 mths ended 31/12/05 ¥000	PDS#2 model \$'000
Net profit (\$'000)	50,820	19,726	4,374,139	1,549,532
<i>Main adjustments</i>				
- unrealised fair value of derivatives	(4,882)	(6,504)	(420,487)	(510,903)
- realised foreign exchange gain (FX trade to purchase Japanese investments)	382		(32,891)	
- fair value adjustments for investment properties (incl Kawasaki)	(43,451)		(3,744,790)	
- deferred tax expense on fair value adjustments	9,897		883,105	
- variance between average exchange rates for accounting purposes of 86 and distribution hedge exchange rate of 79	1,004			
Core adjusted profit (\$'000)	13,770	13,222	1,059,076	1,038,628

Cash Distribution for Half Year to 31 December 2005

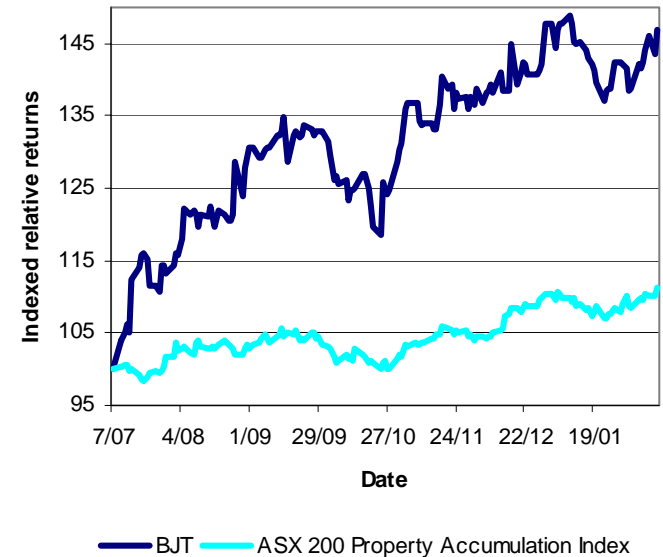
Reconciliation of accounting profit to cash distribution	Half year to 31 December 2005 (actual)	Half year to 31 December 2005 (PDS #2 model)
	\$'000	\$'000
Net profit (\$'000)	50,820	19,726
<i>Adjustments – non-cash items included in accounting profit</i>		
- Fair value adjustments to investment properties	(31,386)	-
- TMK accounting vs cash difference	(12,988)	(764)
- Deferred tax expenses	10,242	378
- Fair value of derivatives	(4,882)	(6,504)
- Amortisation of upfront acquisition/borrowing costs	112	113
- Net foreign exchange loss	382	-
<i>Adjustments – other items</i>		
- Fixed asset tax expense (cash expense capitalised for accounting purposes for initial portfolio)	(1,207)	(1,207)
- KPMG IER (cash raised in Nov 05 PDS)	220	-
- Additional cash from distribution hedge (difference between locked in FX rate approx 79 and accounting FX rate 86)	1,004	-
- Other	(50)	517
Cash distribution (\$'000)	12,268	12,259

BJT Price Performance since July 2005

Significant price appreciation



Strong relative return



- Total return to unitholders for the six month period to 31 December 2005 of 47.4%. (36.4% above the benchmark return of the S&P/ASX 200 Property Accumulation Index)

Debt Summary as at 31 January 2005

	TK#1 borrowings (¥ billion)	TK#2 borrowings (¥ billion)	TMK borrowings (¥ billion)	Trust total/weighted average (¥ billion)
Fixed Debt	18.6	16.3	14.2	49.1
Floating Debt	2.1	1.8		3.9
Establishment Costs				
Trust Interest %	100%	100%	48%	
Trust Interest	20.7	18.1	6.8	45.6
Maturity Date	29-Mar-10	22-Dec-10	31-Aug-06	30-Dec-09
Maturity (Years)	4.2	4.9	0.6	3.9
Fixed Interest Rate (p.a.)	1.30%	1.54%	1.24%	1.38%
Floating Interest Rate	0.70%	0.67%		0.68%

- Weighted average term to expiry of 3.9 years
- Weighted average fixed interest rate of 1.38%
- New bank lending relationship established with Aozora Bank

Hedging Arrangements

Distribution Hedge Maturity Profile

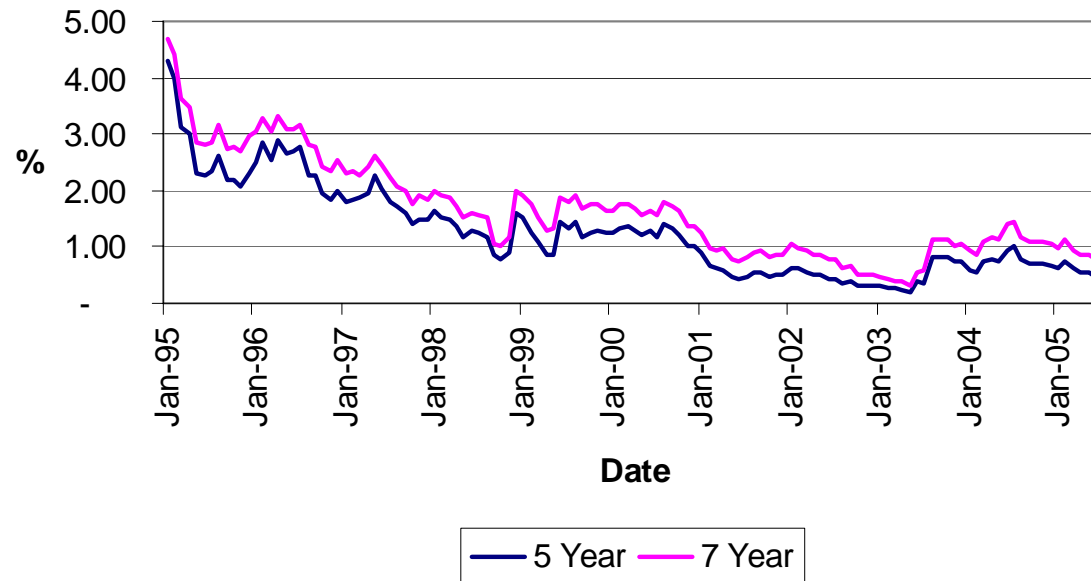
Settlement date	Exchange rate
15-Feb-06	78.70
15-Aug-06	79.30
15-Feb-07	77.40
15-Aug-07	75.60
15-Feb-08	73.50
15-Aug-08	72.20
16-Feb-09	70.50
17-Aug-09	68.60
15-Feb-10	66.90
15-Aug-10	68.80
15-Feb-11	68.00

Capital Hedge

Settlement date	BJT receives AUD	BJT pays JPY	Exchange rate	AUD Interest rate	JPY Interest rate
Aug-09	30,000,000	2,487,240,000	82.91	6.10%	0.625%
Aug-10	46,500,000	4,040,385,000	86.89	5.86%	0.882%
Aug-11	30,000,000	2,487,240,000	82.91	6.13%	0.980%

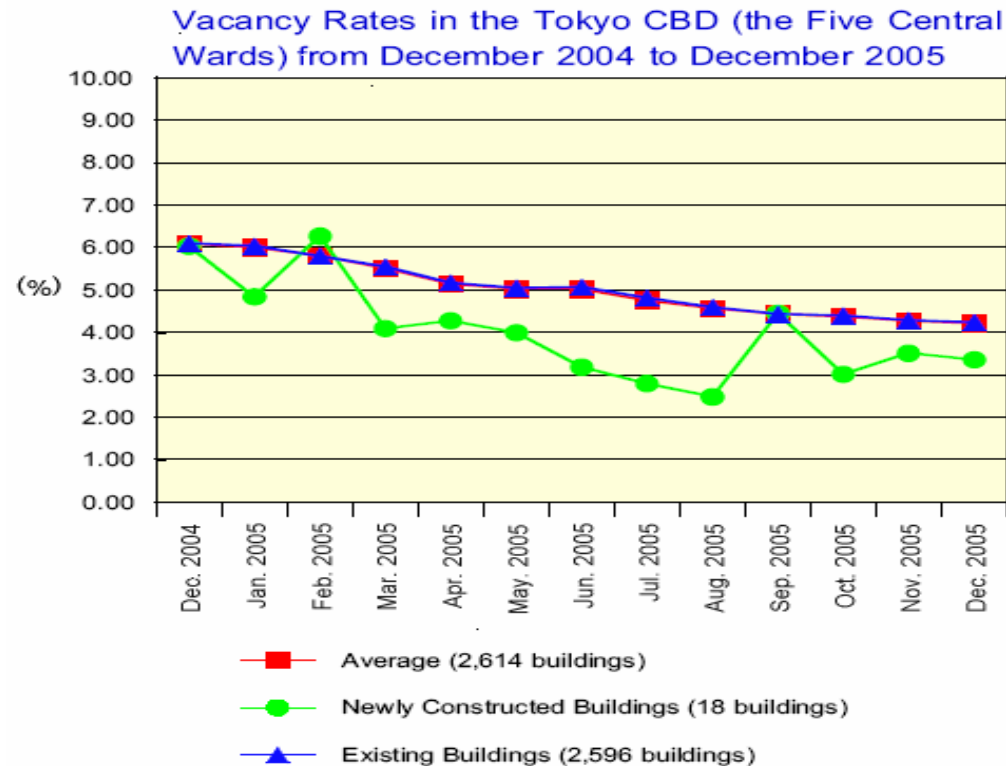
Interest Rates

YEN FIXED/FLOATING SWAP RATES (5 & 7 YR)



Market Update

- Office vacancy rates in Tokyo's central 5 wards have fallen below 5%
- 52% of BJT portfolio (by value) is in Tokyo's central 5 wards (39% office, 12% retail, 1% residential)



Source: Miki Shoji

B&B / BJT Japan & Australia teams

Babcock & Brown Japan

- 15 real estate investment/asset management professionals
 - Eric Lucas, Representative Director (Managing Director BBJPM)
 - Shinya Sato, Representative Director, Acquisitions
 - Tomiji Hasegawa, Representative Director, Asset Management
 - Chihiro Hara, Asset Management
 - Tetsuya Hirata, Asset Management
 - Itsusaburo Hirayama, Asset Management
 - Kazuyuki Honda, Acquisitions
 - Masahiro Nakazato, Acquisitions/Asset Management
 - Hideyuki Satoh, Acquisitions
 - Kentaro Sato, Acquisitions/Asset Management
 - Masato Tanaka, Acquisitions
 - Yu Watanabe, Acquisitions
 - Sachi Ogino, Administration/Accounting
 - Mikiko Shimano, Administration/Accounting
 - Sanae Murata, Administration/Accounting

Babcock & Brown Australia

- Michelle Wilkinson, Financial Controller
- Alex Ong, Legal Counsel

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