

The purpose of this document is to provide a broad summary of the Australian non-resident withholding tax (NRWHT) considerations that arise for Astro Japan Property Group (AJA) securityholders with respect to distributions by the Astro Japan Property Trust (AJT). The information below is based on existing tax law and established interpretations as at 20 January 2010. The information provided in this document is very general, is intended only as a brief guide and is not intended to constitute advice to any AJA securityholder. The NRWHT considerations can be complex and may change over time. Accordingly, AJA securityholders are recommended to seek professional taxation advice in relation to their own position.

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Australian Withholding tax on AJT distributions

Foreign sourced income of an Australian trust is not subject to NRWHT when distributed to a non-resident unitholder. Therefore, because most of AJT's income is generally derived from sources in Japan, overseas investors in AJT are only required to pay NRWHT on the Australian sourced income of AJT.

As AJT is a Managed Investment Trust¹ (a defined term for Australian tax purposes), the Australian sourced net income of AJT is categorised into two types for NRWHT purposes – (i) *interest* and (ii) *fund payment* (broadly, this is currently the income of AJT from its Australian capital and distribution hedging).

¹ Qualification as a Managed Investment Trust is an annual test.

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(i) interest income

The tax rate applicable for NRWHT is generally 10% on interest.

(ii) fund payment

The tax rate applicable for NRWHT on the fund payment depends on whether or not the non-resident investor is a resident² of a country with which Australia has an exchange of information (EOI) arrangement which is specified in the Tax Regulations. An EOI arrangement includes specific Tax Information Exchange Agreements and tax treaties which include an effective exchange of information article. For residents of countries with EOI arrangements with Australia in FY 2009 (ending 30 June 2009) the rate on fund payments was 22.5%. For FY2010 (ending 30 June 2010) the rate on fund payments is 15%. For later years, the rate on fund payments will drop to 7.5%. We have attached below a list of countries which Australia currently has an EOI arrangement with.

Where the investor is NOT a resident of a country that has an EOI agreement with Australia, the rate of NRWHT on the fund payment is 30% for all years.

Procedures

AJT's fiscal year is from 1 July to 30 June and it generally pays distributions twice a year, (a) an interim distribution for the period July to December, which is generally paid in February and (b) a final distribution for the period from January to June, which is generally paid in August.

At the time of payment of each distribution, information is placed on the AJA website (www.astrojapanproperty.com) outlining the fund payment amount and the Australian interest amount. This information is used to calculate the amount of Australian NRWHT to be deducted in respect of the distribution.

Australian NRWHT deductions are performed at one of two levels, depending on whether the AJA security holding is in the name of an Australian-registered custodian or is held directly by an investor with a non-Australian address.

² Determination of residency depends on certain factors set out in the Managed Investment Trust withholding tax rules.

For investors who hold through a custodian with an Australian registered address, AJT will NOT deduct any NRWHT but rather will pay the gross amount of the distribution to the custodian. It is the responsibility of the custodian to deduct any NRWHT and remit to the Australian Tax Office (ATO).

The custodian should calculate the NRWHT based upon the components as disclosed on the AJA website.

For investors who hold directly through a foreign (i.e., non-Australian) registered address, AJT will calculate the NRWHT (depending on their country of residence) and deduct this amount from the distribution paid. The NRWHT amount is then forwarded by AJT to the ATO.

NRWHT for the Final Distribution for FY 2009

The NRWHT which should have been deducted from the 30 June 2009 final distribution of 5.00 cents per unit (cpu) made in August 2009 is calculated as follows:

Amounts subject to NRWHT are:

Interest 0.150494 cpu

Fund Payment 3.333613 cpu

NRWHT was applicable to the above amount of Interest at a rate of 10% (unless an exemption applied) and to the above amount of Fund Payment at a rate of 22.5% (or 30% if the recipient was not resident in an EOI country). In other words, the amount of NRWHT for a resident of an EOI country should have been 0.765 cpu, being:

Interest $0.150494 \times 10\% =$ 0.015 cpu PLUS

Fund Payment $3.333613 \times 22.5\% =$ 0.75 cpu

Investors who believe that their custodian may have deducted an amount greater than that shown above may wish to discuss this matter with their custodian, who can then discuss with the ATO the procedure for a refund of the excess NRWHT deducted.

From a taxation perspective, FY2009 was an exceptional year as AJT made significant one-off Australian sourced gains resulting from the monetisation of capital hedges in July 2008. This has materially impacted the amount of NRWHT deducted from the FY2009 distributions as the amount of Australian sourced income relative to total income is significantly higher than that historically.

Furthermore, the effective tax rate on the Australian interest and fund payments components was also significantly higher for FY2009 due to the NRWHT being calculated based on AJT's cash taxable income (approx 16 cpu for FY2009) and not the actual distribution paid (9 cpu for FY2009).

Exchange of Information Countries

Argentina	Bermuda
Canada	China
Czech Republic	Denmark
Fiji	Finland
France	Germany
Hungary	India
Indonesia	Ireland
Italy	Japan
Kiribati	Malta
Mexico	Netherlands
Netherlands Antilles	New Zealand
Norway	Papua New Guinea
Poland	Romania
Russia	Slovakia
South Africa	Spain
Sri Lanka	Sweden
Taipei	Thailand
United Kingdom	United States
Vietnam	

Countries Yet to be Regulated*

Antigua & Barbuda	Aruba
Belgium	British Virgin Islands
Cook Islands	Gibraltar
Guernsey	Isle of Man
Jersey	Samoa
Singapore	

** EOI arrangements signed but yet to be specified in the Tax Regulations. Therefore the lower MIT withholding rate does not yet apply.*