



ASX/Media Release

24 February 2010

AJA HALF YEAR RESULTS - MEDIA RELEASE

We attach the Media Release relating to Astro Japan Property Group's Half Year Results to 31 December 2009.

ENDS

Investor & Media Enquiries:

Eric Lucas
Senior Advisor
Phone: +61 2 8987 3900 (Australia)
+81 3 3238 1671 (Japan)

Ian Hay
Chief Financial Officer
Phone: +61 2 8987 3902

About Astro Japan Property Group

Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 43 retail, office and residential properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

AJA is a stapled entity comprising Astro Japan Property Trust (ARSN 112 799 854) and Astro Japan Property Group Limited (ABN 25 135 381 663). For further information please visit our website: www.astrojapanproperty.com.

Astro Japan Property Group

Astro Japan Property Group Limited ABN 25 135 381 663
Babcock & Brown Japan Property Management Limited ABN 94 111 874 563 AFSL 283142
as responsible entity of the Astro Japan Property Trust ARSN 112 799 854

Suite 1 Level 14, 50 Pitt Street, Sydney NSW 2000, Australia
T +61 2 8987 3900 F +61 2 8987 3999
W www.astrojapanproperty.com



ASX/Media Release

24 February 2010

AJA HALF YEAR RESULTS TO 31 DECEMBER 2009

Key points for the half year period:

- Net operating profit after tax of A\$26.7 million, down approximately 17.7% on the prior corresponding period, mainly due to a decline in net property income
- Net property income declined 15.6% on the prior corresponding period of which approximately 7.2% represents the impact of the sale of Shinjuku Sanei in May 2009. Net property income also declined due to a fall in office occupancy rates and office rental income
- Net loss after income tax reduced to A\$35.1 million from A\$215.9 million in the prior corresponding period, due to a smaller contraction in property valuations and a positive movement in the mark-to-market of foreign exchange hedges
- Funds from operations of ¥2.0bn (A\$25.1 million) down ¥0.6bn (A\$7.5 million) relative to the prior corresponding period of which approximately ¥0.3bn (A\$3.8 million) represents the impact of the sale of Shinjuku Sanei
- Distribution of 3.50 cps for the period after retaining 2.13 cps for capital management purposes
- NTA was A\$0.76 per security, compared to A\$0.93 as at 30 June 2009. Decline in NTA was primarily due to property revaluations and movement in the A\$/¥exchange rate
- Successfully renegotiated positive changes to foreign exchange hedging terms
- Definitive term sheet signed for a new, senior, non-recourse loan of ¥13.4 billion (A\$160 million) to refinance loan set to mature in March 2010
- Securityholders approved implementation of stapling proposal with normal trading in AJA stapled securities commencing on 19 November 2009

Financial results

Astro Japan Property Group (ASX: AJA) today announced a net operating profit after tax of A\$26.7 million for the six month period ended 31 December 2009, 17.7% lower than the prior corresponding period.

The operating result for the half year period reflects the decline in net property income to ¥3.5 billion (A\$43.6 million), 15.6% lower than the prior corresponding period. Excluding the sale of Shinjuku Sanei, net property income was down by approximately 8.4% relative to the prior corresponding period, mainly due to a fall in office occupancy rates and office rental income.

A statutory net loss after tax of A\$35.1 million was reported for the half year period, reflecting non-cash adjustments of approximately A\$61.9 million. The non-cash adjustments primarily reflect a

Astro Japan Property Group

Astro Japan Property Group Limited ABN 25 135 381 663

Babcock & Brown Japan Property Management Limited ABN 94 111 874 563 AFSL 283142

as responsible entity of the Astro Japan Property Trust ARSN 112 799 854

Suite 1 Level 14, 50 Pitt Street, Sydney NSW 2000, Australia

T +61 2 8987 3900 F +61 2 8987 3999

W www.astrojapanproperty.com

A\$73.5 million devaluation adjustment to the fair value of AJA's property portfolio offset by A\$11.3 million in unrealised gains arising from the mark-to-market of foreign exchange hedges.

An interim distribution of 3.50 cents per security will be paid on 26 February 2010. The interim distribution was less than the total cash flow generated for the period of 5.63 cents per security as funds were retained for capital management purposes.

Mr Eric Lucas, Senior Advisor to AJA, said "Global economic headwinds continued to impact the operating environment in Japan, reflected by downward pressures on rent levels across the AJA portfolio, particularly office assets, during the half year. However, continuing high overall occupancy levels reflect the underlying resilience of the asset portfolio, the depth of experience of the Japan asset manager and management's core focus on generating sustainable through-the-cycle earnings."

Portfolio performance

As previously disclosed, AJA's interests in 15 of its 43 properties were revalued as at 31 December 2009, resulting in a decrease in fair value of the total portfolio of 4.8% to ¥119.5 billion (A\$1.4 billion). A significant factor behind the portfolio devaluation was reduced asset cash flow assumptions used by the independent valuers for office properties. Marginal increases in the valuers' capitalisation rates across the portfolio also contributed.

In accordance with AJA's valuation policy, the assessment of the fair value of all investment properties as at 31 December 2009 was conducted, requiring 15 of the 43 properties to be revalued. In comparison, all 43 properties were revalued as at 30 June 2009.

As at 31 December 2009, the devaluation of ¥6.1 billion (4.8%) compared to the devaluation of ¥19.2 billion (13.3%) as at 30 June 2009. Additionally, the weighted average capitalisation rate used by valuers for the portfolio moved to 5.6% as at 31 December 2009 compared to 5.5% as at 30 June 2009.

Mr Eric Lucas noted "The rate of increase in capitalisation rates appears to have slowed significantly since June 2009, suggesting the cyclical expansion in capitalisation rates may be concluding."

Portfolio occupancy by area remains high at 92.7% compared to 94.0% in the prior corresponding period. The modest decline in occupancy was primarily driven by a sole tenanted office asset becoming vacant during the six months ended 31 December 2009.

Mr Eric Lucas said "Around 45% of total portfolio net property income is derived from non-cancellable leases. Combined with a portfolio composition equally balanced between retail and office with a small residential component and a predominance of assets located within the Tokyo-area, we believe the portfolio will continue to be relatively resilient in the current challenging market environment."

Debt and foreign exchange hedging

In January 2010, a definitive term sheet was signed for a new five year, senior, non-recourse loan of ¥13.4 billion (A\$160 million) which will be used to refinance the loan set to mature in March 2010. The proposed terms of the loan include a favourable interest margin payable of 1.95% and an all-in margin cost of approximately 2.37%. A debt service coverage ratio (DSCR) test is the primary covenant. The proposed loan does not include an LTV covenant consistent with all but one of AJA's four other non-recourse, asset-specific loans.

As part of the refinancing, AJA intends to contribute additional equity of ¥900 million (A\$11 million) from its existing cash resources to reduce leverage. Additional equity will also be used to pay loan costs and expenses.

Gearing¹ was 73.3% as at 31 December 2009, higher than the prior period, resulting principally from property devaluations over the last six months. Following the refinancing and equity injection outlined above, gearing will reduce to 72.6%.

Overall portfolio gearing continues to have no impact on any loan terms or covenants. As previously disclosed, only one asset-specific, non-recourse loan has an LTV ratio covenant. The LTV covenant is 78% compared to the loan's current LTV of 77.8% as at 31 December 2009. Constructive discussions are taking place with the lender of this loan as to how best to deal with the proximity of the current LTV to the covenant.

As at 31 December 2009, AJA's weighted average interest rate was 1.90%. This will increase marginally to 2.04% subsequent to the March refinancing. Portfolio debt service coverage for the six months ended 31 December 2009 remains robust at 3.5x overall.

During the half year period, AJA successfully renegotiated positive changes to the terms of its foreign exchange hedging contract including the waiver of the counterparty's August 2009 option to terminate, removal of the gearing ratio covenant and a reduction of the minimum securityholders' equity covenant threshold from A\$458 million to A\$250 million.

In exchange for the waiver of the 2009 option to terminate these hedges, AJA collateralised its hedging position posting ¥2.4 billion cash in August 2009. The collateral will remain with the counterparty to the extent that any hedging obligations on behalf of AJA remain outstanding. No further collateral can be called on the basis of mark to market movements. While the counterparty has retained the annual option to terminate in August, AJA is in constructive discussions with the counterparty to manage the upcoming August 2010 termination option.

Mr Eric Lucas commented, "Despite current credit market conditions, securing favourable terms for the first important refinancing and negotiating positive changes to the terms of AJA's foreign exchange hedging obligations demonstrates both the continued strength of AJA's relationships with its financiers and ongoing confidence in the underlying quality of the asset portfolio."

Net tangible assets (NTA)

NTA as at 31 December 2009 was A\$0.76 per security compared to A\$0.93 at 30 June 2009. This decline was principally due to the reduction in property valuations over the last six months (15c of the change) as well as the movement in the A\$/¥ exchange rate (2c of the change).

Events since 31 December 2009

On 22 February 2010, AJA announced that its Japan asset manager, Spring Investment Co., Ltd. (Spring), in which AJA has a 30% economic interest, would acquire ownership of the management company of a Tokyo Stock Exchange (TSE) listed J-REIT. The acquisition is being made in joint venture with Sekisui House Ltd, one of Japan's largest home builders, also listed on the First Section of the TSE. Sekisui House will take a 75% interest in the joint venture and Spring will take a 25% interest.

The management company being acquired is Joint Capital Partners (JCP), the manager of Joint REIT Investment Corporation (TSE code 8973) (Joint REIT). Joint REIT owns 53, mainly residential, assets with a book value of approximately ¥100 billion (approx. A\$1.25 billion). JCP's parent company, real estate developer Joint Corporation (Joint), has suffered severe financial

¹ Defined as interest bearing debt / investment property

difficulties and has been under court administration since June 2009. The transaction was negotiated with the court administrator.

AJA will contribute 30% of the capital to Spring's investment in this transaction. AJA's contribution will have a minimal impact on existing cash resources.

AJA's involvement, through its economic interest in Spring, marks the first time that an Australian real estate company has held an interest in J-REIT management.

Internalisation progress

At the Extraordinary General Meeting held on 4 November 2009, securityholders approved the implementation of the stapled security proposal. Normal trading of the AJA stapled securities on the ASX commenced on 19 November 2009.

The Responsible Entity of Astro Japan Property Trust, Babcock & Brown Japan Property Management Limited, will legally become part of AJA following closing of the March 2010 refinancing. This will complete AJA's final separation from the Babcock & Brown Group at which time the name of the Responsible Entity will be changed.

Outlook

Mr Eric Lucas said "While we anticipate the cyclical pressures of declining rent levels will continue to be challenging for the remainder of the 2010 financial year, we are confident that AJA's portfolio is well positioned to withstand these operational pressures. The portfolio's high – 45% - proportion of non-cancellable revenues are predominantly retail and provide stability to portfolio income.

We remain focused on maximising the operational performance of the property portfolio as well as pursuing strategies to de-risk AJA's capital position."

Based on current market conditions, the Board confirms distribution guidance for the 2010 financial year of 7.00 cents per security.

ENDS

Investor & Media Enquiries:

Eric Lucas
Senior Advisor
Phone: +61 2 8987 3900 (Australia)
+81 3 3238 1671 (Japan)

Ian Hay
Chief Financial Officer
Phone: +61 2 8987 3902

About Astro Japan Property Group

Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 43 retail, office and residential properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

AJA is a stapled entity comprising Astro Japan Property Trust (ARSN 112 799 854) and Astro Japan Property Group Limited (ABN 25 135 381 663). For further information please visit our website:

www.astrojapanproperty.com.