



ASX/Media Release

22 June 2011

CAPITAL HEDGING ARRANGEMENTS: PARTIAL TERMINATION OF HEDGE BOOK

Astro Japan Property Group (ASX: AJA) today provides an update on the progressive reduction in its A\$/¥ capital hedge book.

AJA has undertaken the following recent transactions, taking advantage of the strengthening of the Australian Dollar against the Japanese Yen:

- termination of the capital hedge maturing in August 2016, with a principal amount of ¥1.5 billion (approx \$16.9 million at \$A = ¥88.55), resulting in a net cash loss to AJA of approximately \$2.9 million, the hedge having been entered into at a rate of A\$ = ¥101.9 in 2008. The hedge was terminated at an average rate of ¥88.55; and
- fixing the exchange rate at which the August 2011 capital hedge will be settled, at the rate of A\$ = ¥85.4. This hedge has a principal amount of ¥1.5 billion (approx \$17.6 million at \$A = ¥85.4) and will be settled in accordance with its terms in August 2011.

The amount required to fund the termination of the August 2016 hedge was allocated from collateral previously posted with the counterparty and reduces this balance from ¥2.0 billion to ¥1.72 billion. This balance, which will remain with the counterparty to the extent that any hedging obligations on behalf of AJA remain outstanding, is in excess of AJA's mark-to-market obligations in respect of its hedge book, with AJA's net position being 'in the money' at an exchange rate in excess of approximately A\$ = ¥75.

As a result of these transactions, and following the settlement of the August 2011 hedge:

- the size of the capital hedge book will be reduced by nearly one third from the June, 2010 position; and
- ongoing income from the capital hedge book will be reduced by approximately \$1.62 million or 2.8 cents per security, per annum. Distributions for the current period are not affected.

The profile of the capital hedges before and after the partial termination is set out in the Appendix to this announcement.

Mr Eric Lucas, Senior Advisor to the Board of AJA said, "Our capital hedge book has contributed nearly A\$39 million of income since inception in 2005, reflecting the ongoing substantial interest rate gap between Australia and Japan. However, with changed investor and hedging counterparty risk perceptions, we believe it is prudent to continue to reduce risk as opportunities arise.

Astro Japan Property Group

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“This is the fourth time we have terminated hedges prior to their maturity, with a net cash benefit to AJA of over A\$14 million. Since mid-2008 AJA’s capital hedge book has been reduced (taking into account the settlement of the August 2011 hedge) by about 72% and now accounts for only about 21% of the Yen book value (net of debt) of AJA’s Japan property assets.”

“AJA’s A\$/¥ hedging position is more than fully cash collateralised on a mark to market basis. If the remaining whole hedge book were to be unwound today, the net cash payment to AJA would be approximately A\$7.2 million.”

ENDS

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About Astro Japan Property Group (AJA)

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 41 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.

APPENDIX

Capital Hedge Maturity Profile

Capital hedge profile before partial termination

<i>Settlement date</i>	<i>AJA receives AUD</i>	<i>AJA pays ¥</i>	<i>Exchange rate</i>	<i>Interest rate spread</i>
Aug-11	14,724,649	1,500,000,000	101.9	6.19%
Aug-12	20,614,509	2,100,000,000	101.9	6.01%
Aug-13	16,687,936	1,700,000,000	101.9	5.86%
Aug-14	22,577,795	2,300,000,000	101.9	5.69%
Aug-16	14,724,649	1,500,000,000	101.9	5.39%
Total	89,329,538	9,100,000,000		

Capital hedge profile after partial termination

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Aug-14	22,577,795	2,300,000,000	101.9	5.69%
Total	74,604,889	7,600,000,000		