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AGM Address to Securityholders

Please find attached the Address to securityholders to be delivered by the Chairman and the Senior Advisor at today's joint Annual General Meeting of the securityholders of Astro Japan Property Group Limited and the securityholders of Astro Japan Property Trust.

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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.

Astro Japan Property Group (AJA) - 2011 Annual General Meeting

Chairman's and Senior Advisor's Address

<u>Chairman's Address – Allan McDonald</u>

The year under review has been challenging for the Astro Group, as it has been for all real estate investment trusts, regardless of whether they hold assets here in Australia or overseas. Like the rest of the world, Japan has endured all of the problems associated with the global financial crisis, resulting in negative growth in 2008 and 2009. Their economy had rebounded strongly in 2010, with GDP growth of over 4%, only to be flattened again by the tragic tsunami in March of this year. Nonetheless, we need to remember that Japan is still the world's third largest economy, with remarkably resilient people and already providing clear indications of economic recovery.

Our financial results for the year under review have not been immune from these economic conditions, with a decline in net operating profit of 8.3% to $38.6 million, mainly due to a decline in rental income from our office assets. Some of this decline was the result of both a stronger Australian dollar, with net property income down only 4.5 percent in Yen terms, and also the loss of income resulting from the sale of two assets in September, 2010.

Following my opening remarks, Eric Lucas, Senior advisor to the Astro Group, will provide a detailed commentary on last year's operations and bring you up to date with subsequent developments.

Last year, I explained the importance to the Group of capital management during these times of global turmoil. This remains a priority, and Eric will outline the current situation in which debt in three of the special purpose companies owning over 70% of Astro properties, has been refinanced until 2015 and 2016. These successful debt refinancings mean that the medium to long term ownership of and cash flow from our core assets has been secured as we navigate our way through these difficult times. However, in order to avoid issuing large amounts of equity on unattractive terms we have been required to commit to repaying some debt on a regular basis. This means that your net asset backing will, all other things being equal, be enhanced but in the short to medium term, there will be less cash available for distributions, at least until debt and asset markets improve further.

There are two of our five special purpose companies whose pre-GFC debt matures in 2012 and are yet to be refinanced. As we indicated at the time of our full year results, the debt of these two companies is unlikely to be refinanced, certainly not with senior debt similar to the current debt. Eric will speak further about this.

Our distribution per security last year was 42.5 cents, slightly lower than the 45 cents we forecast, due to the dilutive effect of the placement of 7.6 million securities in March this year. This placement was made to assist in obtaining attractive terms for refinancing a loan to one of the asset-owning special purpose companies. Our commitment to ongoing debt amortisation will result in a lowering of distributions in this current year. We have already announced that we expect to pay 10-11 cents per security for the first half year. We are delaying guidance for the second half year until we can evaluate the best use of funds in connection with any opportunities which may arise from debt refinancing negotiations, as Eric will explain.

I think it is worth noting that at Astro, we did not follow the course of most Australian REITS by undertaking major earnings and NTA dilutive capital raisings, in the aftermath of the global financial crises. Instead, as far as possible we have tried to carefully managed cash flows to preserve value for investors. At 30 June, 2011, net asset backing per security was $4.67 and, if we disregard the two special purpose companies which may be subject to default upon maturity of the respective loans in 2012, our NTA would have been $5.56, as these two SPCs in aggregate have net negative values as measured under Australian accounting standards. Clearly this underlying overall NTA value is not reflected in the current market price, but this is something over which unfortunately we have no control.

Even if assets in two of the special purpose companies cannot be refinanced, Astro will remain a strong and viable business, with gearing reducing to around 61% on gross property assets close to $1billion, and no refinancing obligations before 2015. Occupancy across the portfolio remains high at approximately 95%, with leases having a weighted average term to expiry of nearly 5 years. However, we remain in uncertain times, with both net property income and asset values affected to some degree by global issues. The management team both here in Australia and, together with our asset manager in Japan, have worked tirelessly throughout the year and I extend my appreciation on behalf of the Board.

Before moving to the formal part of the meeting, let me now hand over to Eric Lucas who will provide further commentary in relation to the Astro Group's operational performance and future prospects.

Senior advisor's address – Eric Lucas

Thank you Allan. Good morning and thank you all for taking the time to attend our 2011 Annual General Meeting.

As outlined by the Chairman, this has been another challenging year, with both rental income and asset values under pressure. Our operating profit was down 8.3% to $38.6 million, having been impacted by a decline in net rental income, particularly from our office buildings, a slight strengthening of the Australian dollar and the loss of income from two office properties sold in September, 2010. On a like for like basis, looking only at the ongoing portfolio, our property revenue declined by 3.1% in Yen terms.

We reported a statutory loss of $22 million, compared to a loss of $111.9 million in the previous year. This loss includes the negative impact of non-cash items of $60.6 million, primarily comprised of $76.5 million in downward property revaluations (compared to a $150.7 million decline in the prior year), which was partly offset by a $23.7 million gain on foreign exchange hedges.

Valuations of the portfolio at December, 2010 showed a decline of ¥3.2 billion, followed by a further write down of ¥2.9 billion at June, 2011. This represents a full year's devaluation of 5.6%. Office assets continued to show weakness, with downward revaluations in this sector accounting for over 65% of the total write downs. Almost half of this was attributable to two Osaka office buildings, both owned by the special purpose company JPT August which at this stage seems unlikely to be part of the Group, at least in its current form, in the next financial year. I will discuss this point in more detail a little later. Disregarding these Osaka properties, the downward revaluations were predominantly a reflection of either lower actual or lower market rental levels, rather than changes in capitalisation rates, which remained stable at around 5.6% across the portfolio.

To appreciate the full impact of the pressure on business conditions since the global financial crisis, let me outline the historic movement in our property values since our public listing in 2005. Annual revaluations resulted in increases of 11% in 2006, 7% in 2007and 4% in 2008. Then the full impact of global turmoil hit, resulting in write downs of 17% in 2009, 9% in 2010 and 5.6% last year. Our current portfolio is valued at 75% of overall original cost, such has been the impact on asset values. Notwithstanding this decline in values, and with our focus on capital management, we are able to report to you a current economic NTA per security of $5.56 which excludes the two SPCs that are to be refinanced in 2012 and have net negative values. We are also pleased that throughout these difficult times, we have been able to maintain uninterrupted payment of cash distributions, totalling $5.72 per security since listing.

Our focus in property management has been on retaining tenants and, where necessary, rents have been reduced to meet this objective. In fact, overall portfolio occupancy improved slightly from 94.5% in 2010 to 95.4% in the year to June, 2011. It is worth noting that all 113 leases which expired during the year were renewed, all but two at rents equal to the prevailing rents. All 71 cancelled leases were replaced, albeit with some at lower rents. Our asset management team has worked effectively to maximise returns from the portfolio of 41 properties in what has been and continues to be a very competitive leasing market.

Clearly, we are disappointed with the current market pricing of our securities, especially relative to our net asset backing but, as Allan has noted, regrettably we cannot control the markets, which continue to reflect both domestic and global uncertainty. All we can do is manage our business – the portfolio of assets and the capital structure supporting our holding of these assets – proactively and to the best of our abilities. It is no secret that, since the onset of the GFC, debt markets have been extremely difficult and unpredictable. Despite these circumstances, in the last 18 months we have already completed refinancing arrangements through to 2015 and 2016 for three of the five special purpose companies, or SPCs, which hold our properties. These three SPCs hold approximately 70% of total Astro property assets and, after these refinancings, gearing for this 'core' portfolio is now down to about 61%. We continue to see a slow and steady improvement in the debt financing markets in Japan.

However, as we have advised previously, there are two SPCs whose pre-financial crisis debt is yet to be refinanced and, because of the extremely high levels of debt to asset values in these two particular SPCs, we believe that this debt will be extremely difficult, if not impossible, to replace, certainly with similar senior debt. These two SPCs are called JPT Direct and JPT August. The loan to JPT Direct matures in May, 2012 and the loan to JPT August matures in August, 2012. The JPT August portfolio includes the two Osaka office assets which have been progressively written down to approximately half of their original cost, reflecting the extremely weak state of the Osaka office market in the past 4 years. As a consequence, the loan to value ratio for JPT August is now over 130%, making it impossible to refinance in full without a major injection of equity funds. As noted in our full year results, given AJA's current security price it is difficult economically to justify such an injection of funds, at least not without some major concessions on the part of the existing lender. Fortunately, the loan to this SPC, as with all AJA debt, was structured on a 'non-recourse' basis, so that it is separate and discrete from all other SPCs into which AJA invests. AJA is not liable to make up the difference caused by the loan not being repaid as a result of the asset values being insufficient and therefore default is a distinct possibility. In the default case the assets would fall under the control of the lender and most likely be sold. Whilst this sounds like a drastic outcome, in fact it is not, because of the structure of the debt, and with the exception of some contingent liabilities in connection with the refund of security deposits, details of which are set out in the annual report, AJA would have no further liability following such a default.

The position with JPT Direct is similar but not quite so clear cut as JPT August. The JPT Direct portfolio has a greater number of assets than JPT August, with a loan to value ratio of 94%, compared with the 130% ratio for JPT August. Again, the chances of securing replacement senior debt at this level are practically nil and default is, as with JPT August, a distinct possibility, given the substantial amount of equity required to bring the loan down to a refinanceable level and the high cost of that equity resulting from AJA's current security price. The analysis of potential consequences for the AJA Group overall of a JPT Direct default is broadly similar to that for JPT August and is dealt with in our full year results reporting.

I should stress however that although default on both loans remains a distinct possibility, AJA's asset managers have been engaged and will continue to be proactively and constructively engaged with the lender to JPT Direct and JPT August to seek outcomes which preserve whatever value we can for both parties. Possibilities include the sale of some assets and retention of some others and the introduction of other lender(s) and other potential investors or financiers in an endeavour to restructure the arrangements to achieve some benefit for Astro. Our guiding principle in this exercise is seeking to achieve the optimal economic outcome for securityholders rather than maintaining the largest possible portfolio of assets at all costs.

We currently expect this ongoing analysis of the JPT Direct and JPT August situations and relevant discussions with the current lender and other potential parties to continue through to at least the end of this year. We expect that we will be able to provide a further update not later than our half year results announcement in February.

We expect there will be limited impact from the potential partial or full default of these SPCs in the current financial year, as only the JPT Direct loan has a maturity date before June, 2012; that is in May, 2012. If JPT Direct does default there will be some loss of income but an improvement in net tangible asset backing per security if Astro ceases to consolidate the assets in the two SPCs, as the two SPCs in the aggregate have negative values under Australian accounting standards.

Turning now to the capital hedging back to Australian dollars of our investment in Yen-denominated assets, in an ongoing process begun in earnest at the height of the GFC in 2008, during the 2011 financial year, we continued to rationalise our capital hedge position. During the financial year, the capital hedge book was reduced from ¥9.1 billion to ¥7.6 billion and since then we have further reduced the book by half to ¥3.8 billion or about $45 million. To put this in context, it means that only about 15% of our net equity in Japanese property assets (asset value minus loan amount) is hedged back from Yen to $. This compares with about 36% at the peak. Our current position is that at ¥80 to $1, our capital hedges are out of the money by approximately $9.6 million, but we have provided cash security in Yen equivalent to about $14 million, which is deposited with our counterparty. As these hedges provide some future net interest income of just over $2 million this year, we intend to retain them pending further currency developments. The position with our counterparty is that the hedges will be automatically terminated if and when the Australian dollar weakens to the point where our collateral is fully utilised, at around Yen 72 = $1.

In our most recent financial statements, we reported a potential risk of early termination of the loan to JPT Direct if early termination rights were exercised on Japanese interest rate swaps related to this loan. I am pleased to advise that we have reviewed this position constructively with the JPT Direct swap provider, so that the interest rate swaps now almost certainly will not be terminated prior to the maturity of the JPT Direct loan. This gives us significantly more flexibility as we try to achieve the best outcome for Astro faced with the potential default on this loan and the loan to JPT August.

We are very pleased to have been able to weather the financial storm of the past few years with only one small issuance of new equity, and then only to achieve refinancing terms which are extremely attractive. Whilst the decline in values since 2008 has been severe, there are many indications that this decline is drawing to a close, with independent valuer cap rates having remained almost unchanged through each of the past three six-monthly reviews. Similarly, the severe pressure on property income appears to have abated somewhat recently and we remain hopeful that the optimistic GDP forecasts by the IMF for Japan's economy in 2012 – which place it well ahead of the US and Europe – will start to be reflected in a stabilization of property performance.

Having already dealt with all the capital issues surrounding AJA's core portfolio of three SPCs, we now have the challenge of achieving some benefit for securityholders from the two SPCs into which AJA invested and which have become marginal. As noted earlier, this will not be straightforward, as these investments were made late in the previous up cycle, immediately prior to the onset of the GFC, and the debt levels even at that time reflected that bullish market tone. However we are committed to this task, applying the same overarching principle that has guided the Board and the asset manager since the onset of the GFC, being the maximization of overall securityholders returns, rather than trying to maintain assets under management as an end in itself.

Thank you very much. If there are no questions I would now like to hand back to Allan, our Chairman, to conduct the formal proceedings of today's meeting.