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**ASX / Media Release**

**GALILEO JAPAN TRUST  
MARCH QUARTER 2007 UPDATE**

Please find attached a Galileo Japan Trust (ASX code: GJT) update relating to the quarter ended 31 March 2007.

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**About Galileo Japan Trust**

The Trust listed on the Australian Stock Exchange in December 2006 and currently has an indirect beneficial interest in a portfolio of 21 Japanese Real Estate investments valued at approximately ¥60.3 billion<sup>1</sup> (approximately A\$603 million). The property portfolio is diversified by both sector and geography, however, has a strong bias to Tokyo.

Further information on Galileo Japan Trust is available at [www.galileofunds.com.au/Japan](http://www.galileofunds.com.au/Japan)

<sup>1</sup> Asakusa Vista Hotel will be acquired in September 2007

23 May 2007

## GALILEO JAPAN TRUST MARCH QUARTER 2007 UPDATE

Galileo Japan Funds Management Limited ("GJFML") as responsible entity for Galileo Japan Trust (ASX code: "GJT") is pleased to provide the following update relating to the portfolio since listing on 18th December 2006.

### GJT Portfolio Activity (Office and Retail only)

Office and Retail represents approximately 73% of the total GJT rent roll. In the period from listing to 31 March 2007, 41 new or renewed leases were executed, representing approximately 38% of the total office and retail rent roll.

This leasing activity can be summarised as follows:

	# of Leases	Area Tsubo <sup>1</sup>	New Rent ¥ pa	Old Rent ¥ pa	Change %
Rent Increase	11	912	258,887,400	221,943,053	16.6
No Increase	22	2,043	425,183,345	425,183,345	-
Sub Total	33	2,955	684,070,745	647,126,398	5.7
Under Negotiation	8	1,307	-	291,710,156	-

<sup>1</sup> One tsubo equates to approximately 3.3 square metres

Chief Operating Officer, Peter Murphy said, "Given that the Trust's PDS forecast assumed no upward reversion in rents, these results are very encouraging. Together with more favourable than forecast interest rates secured on borrowings at the time of the IPO, this means GJT is now in a **strong position to exceed its 2008 earnings forecast of 7.60 cents per unit.**"

Mr Murphy added, "The real estate market in Japan continues to demonstrate strong fundamentals with local and international investor support growing across all property sectors particularly prime and B class office, retail and modern logistics facilities."

### **Lease Renewals**

A total of 15 leases expired during the period to 31 March 2007 representing 1,852 tsubo (approx. 6,112 square metres) and all of these tenants have elected to renew their leases.

	# of Leases	Area Tsubo	New Rent ¥ pa	Old Rent ¥ pa	Change %
Rent Increase	2	183	50,527,320	39,543,120	27.8 <sup>1</sup>
No Increase	9	671	138,118,700	138,118,700	-
Under Negotiation	4	998	-	219,352,400	-

<sup>1</sup> Rental increase on 154 tsubo does not take effect until September 2007.

There are four leases that remain the subject of ongoing negotiation where the Manager is actively seeking a rental increase. All of these leases are for tenancies located in the Central Tokyo area.

### New Leases

Six new standard leases were negotiated during the period to 31 March 2007 including the three floors previously occupied by PNC at Azabu Amerex (this lease expired 31 March 2007). New leases have been agreed on the following terms:

Property	Area Tsubo	Comm. Date	New Rent ¥ pa	Old Rent ¥ pa	Change %
Seishin	145	1 April 2007	43,407,000	36,461,900	19.0
Seishin	51	1 April 2007	14,688,000	13,770,000	6.7
Seishin	31	1 May 2007	8,652,600	7,524,000	15.0
Azabu Amerex	71	1 April 2007	20,355,800	18,532,300	9.8
Azabu Amerex	96	1 April 2007	27,673,900	25,194,800	9.8
Azabu Amerex	96	1 June 2007	27,673,900	25,194,800	9.8
<b>Total</b>	<b>490</b>		<b>142,451,200</b>	<b>126,677,800</b>	<b>12.5</b>

The new lettings were achieved with no income void other than for one area of 96 tsubo at Azabu Amerex where there was a vacancy of two months.

### Forward Renewals

A total of 20 tenants representing 1,921 tsubo (approx. 6,339 square metres) have indicated their intention to renew leases which expire post 1 April 2007.

The following table summarises the current status of leases where the lessee has indicated an intention to renew:

	# of Leases	Area Tsubo	New Rent ¥ pa	Old Rent ¥ pa	Change %
Rent Increase	3	239	65,908,800	55,721,600	18.3
No Increase	13	1,372	287,064,600	287,064,600	-
Under Negotiation	4	310	-	72,358,500	-

### Existing & Prospective Vacancies

At 31 March 2007 approximately 131 tsubo (432 square metres) was vacant representing 1% of the office and retail portfolio.

Notices of termination for leases expiring post 1 April 2007 have been received for four leases totalling 283 tsubo (approx. 934 square metres). Over 90% of this area is situated in Central Tokyo, and there is an average of four months residual lease term on this space.

### Tenant Retention Rates

Tenant retention (including forward renewals and terminations) within the portfolio (excluding residential) has been high at 93 % compared to original PDS forecast renewal assumption of 80%. The balance of the portfolio continues to perform in line with original forecasts.

### Japan Property Market Update

CB Richard Ellis has released their latest Market Report (May 2007). Key highlights from the Report can be summarised as follows:

#### The Economy

- Consolidated pre-tax profits for listed firms at record levels
- **Q1 2007 real GDP growth of 2.4% (annualised), making 9 quarters of economic expansion**
- Capital expenditure for Q4 2006 up 16.8% year on year (15th consecutive quarter of growth)
- Seasonally adjusted March unemployment rate of 4%, near 9 year low
- Government GDP growth forecast of 2.0% for 2007 fiscal year

### **Office Market**

- Prime & Grade A rents are ¥50,750 per tsubo per month (exclusive of CAM), up 30.5% year on year
- Tokyo Grade A Office stock has doubled since 2000 , but still only represents 17% of total office stock
- **Greater Tokyo (23 wards) vacancy forecast to be sub 3% from 2007 to 2010**
- Positive rental growth forecast for Central Five Wards Office next 2 years

### **Retail Market**

- Japan's retail market continues to be underpinned by healthy employment conditions and continued GDP growth
- Robust consumer spending was a major driver behind strong 1st quarter GDP growth
- Japan's Real Estate Institute, estimated nationwide commercial land prices increased 9.8% for the 6 months to March 2007 which includes office & retail land usage
- **CB Richard Ellis anticipates continued yield compression for retail investment properties, from the current band of 3.50% – 5.00%, across Japan's major cities**

### **Other Markets**

- Residential occupancy rates in Tokyo particularly in older developments negatively impacted by new supply
- **Despite benign population growth over the next 5 to 6 years the number of households is expected to increase significantly providing support for both manufacturing, retail and logistics**
- The logistics market is undergoing a major transformation with a shift away from small units to larger projects
- Logistics likely to see the strongest yield compression due to the higher yield base as a starting point and the weight of capital targeting the sector

### **Planning Legislation**

Legislation revising urban development laws has passed through Japanese Parliament. These laws aim to promote "compact" urban development and to invigorate central city and established urban neighbourhoods, particularly from a retail standpoint. Essentially from November 2007, retail developments in excess of 10,000 square metres will be limited to urban and central city locations. These changes are expected increase the scarcity value of certain existing larger scale retail facilities.

### **Confirmation of 30 June 2007 Distribution and Ex-Date**

The Responsible Entity is pleased to confirm GJT is on track to make its first half yearly distribution in August 2007 with the ex-distribution date being 25 June 2006. The current forecast distribution of 3.95 cents per unit represents an annualised rate of 7.20 cents per unit with distribution entitlement accruing from allotment on 14 December 2006. (This is consistent with the December 2006 PDS forecast).

Commenting on the distribution Mr Murphy said, "GJT is currently trading on a FY'08 cash distribution yield of 7.60%, over 200 basis points above the LPT sector average (S&P/ASX Property 200). This coupled with strong underlying performance of the portfolio and the continued strength of both the Japanese Economy and Real Estate Markets make GJT an attractive investment. "

### **New Tokyo Office – Galileo Japan KK**

Galileo Japan KK relocated to new premises on 9 April 2007. The new premises will accommodate existing Tokyo based staff and provide growth space for future expansion.

The details of the new office are as follows:

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