



Galileo Japan Funds Management Limited  
(ACN 121 567 244) (AFSL 305 429)  
as Responsible Entity for Galileo Japan Trust  
(ARSN 122 465 990)

Level 9, 1 Alfred Street  
Sydney NSW 2000 Australia  
GPO Box 4760 Sydney NSW 2001  
Telephone: (02) 9240 0333  
Facsimile: (02) 9240 0300  
ASX Code: GJT  
Website: [www.galileofunds.com.au](http://www.galileofunds.com.au)

2 February 2009

**ASX / Media Release**

**GALILEO JAPAN TRUST  
CAPITAL MANAGEMENT UPDATE**

Please find attached a Galileo Japan Trust (ASX code: GJT) announcement.

**Investor and media enquiries:**

Peter Murphy  
Chief Operating Officer  
Phone: +61 2 9240 0308

Neil Werrett  
Managing Director  
Phone: +61 2 9240 0303

**About Galileo Japan Trust**

The Trust is listed on the Australian Securities Exchange with an indirect interest in a portfolio of 26 Japanese Real Estate investments valued at approximately ¥94.8 billion as at 30 June 2008 (approximately A\$1.66 billion)<sup>1</sup>. The portfolio is diversified by both sector and geography, however, retains a bias to Tokyo.

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

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<sup>1</sup> AUDJPY exchange rate of ¥57.2 as at 1 February 2009

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**GALILEO JAPAN TRUST  
CAPITAL MANAGEMENT UPDATE**

In November 2008 Galileo Japan Funds Management Limited ("GJFM") the manager of Galileo Japan Trust ("GJT" or "the Trust") announced a series of capital management initiatives designed to strengthen GJT's balance sheet. One key element of these initiatives was to retain distributable earnings in order to reduce liabilities.

January 09 Loan Maturity

On 30 January 2009 GJFM fully repaid the loan facility of ¥1.49 billion (\$A26.0<sup>1</sup> million) scheduled to mature on that day.

Revaluations

GJFM has instructed independent valuers to complete revaluations on a representative cross section of the portfolio as at 31 December 2008. This is consistent with the Board's approach at previous reporting periods and these revaluations are expected to be completed in conjunction with the release of the Half-Year results for the Trust on 25 February 2009.

GJFM understands that the Japanese lender holding security over the Japanese property portfolio is instructing an independent valuer to conduct market appraisals to ascertain compliance with loan to value tests in the loan documents. These market appraisals have not yet been issued to GJFM. Galileo Japan has sought to ensure that the lender's market appraisals are being conducted on a basis consistent with past market appraisals of this portfolio and with other recently announced valuations of comparable Japanese properties.

Foreign Exchange Hedges

As previously outlined (refer 18 November 2008 announcement) GJT has a number of foreign exchange contracts related to its Yen denominated assets and income. The foreign exchange derivative contracts require that GJT's total interest bearing liabilities (including mark to market of derivative contracts) to total assets should not exceed 70% for any period and should not exceed 65% for more than 90 days. These ratios are tested twice yearly based on the release of the Trust's audited financial statements at 30 June and 31 December balance dates.

The audited 31 December financial statements are not yet available. Although the relevant spot exchange rate at the 31 December 2008 balance date is known as A\$1.00 =¥62.56, the ¥ carrying value of the portfolio is not known. GJFM awaits the receipt of independent revaluations sought by Galileo Japan for this purpose.

GJFM cautions that it is expected to breach the 65% covenant on release of the Trust's audited financial statements if its revaluations are consistent with the revaluation results already released by other Japanese A-REITS. Should this occur, GJT has 90 days (until late May 2009) to remedy and reduce total interest bearing liabilities (including mark to market of derivative contracts) to below the required threshold.

GJFM is in discussions with the counterparty to the Trust's foreign exchange contracts to appropriately manage both GJT's and the counterparty's future risk position under these contracts.

#### Later Loan Maturities

Two loan facilities mature in FY10 for a total amount of ¥8.77 billion (A\$153.3 million) being September 2009 ¥2.64 billion and December 2009 ¥6.13 billion. Beyond this the only loan maturing is a facility in July 2012 of ¥45.19 billion (A\$790.0 million) representing 84% of total borrowings.

A number of initiatives continue to be pursued to address refinancing or repayment of loans maturing in FY10 including refinancing with existing and alternate lenders, repayment from proceeds released from asset sales and potentially introducing an alternative source of funding to replace debt.

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