



# FY'10 Annual Results Presentation

31 August 2010

This presentation is a summary of the financial results and should be read in conjunction with the Trust's Annual Results Announcement dated 31 August 2010 and the Financial Statements for the year ended 30 June 2010



## Annual Result FY10 – key points

*The Trust's result for the year has been impacted significantly by the debt refinancing that was completed in September 2009 (details were contained in the ASX announcement dated 22 September 2009). The refinancing resulted in significant changes to the Trust's operations including, a substantial increase in cash requirements to service the Japanese TK business borrowings, restrictions on the payment of distributions and a revised business strategy involving the likely divestment of the portfolio over a period of up to 4 years.*

### FY 10 Financial results

- Property net income (“NOI”) down 10.1%<sup>1</sup> to ¥4.07 billion (A\$50.45 million)<sup>2</sup> versus (“vs”) prior corresponding period (“pcp”)
- Interest expense vs pcp significantly higher with an increase of 180% or ¥2.1 billion on an annualised basis post the 18 September 2009 refinancing
- Mandatory amortisation under the revised senior loan document commenced in the December 2009 quarter. Annual repayment of loan principal equates to 2.3% of the outstanding loan balance, approximately ¥1.0 billion (A\$12.9 million)<sup>2</sup>
- Funds from operations (“FFO”)<sup>3</sup> of A\$6.97 million (1.72 cpu) vs pcp A\$33.3m (8.21cpu)
- Total liabilities to total assets was 83.7% as at 30 June 2010 versus 79.7% as at 30 June 2009

1. Property net income decrease by 17.2% vs pcp in AUD terms. Refer slide 4 for more detail

2. Average AUD/JPY rate of ¥80.68 for the year ended 30 June 2010

3. Funds from operations (FFO) represents net profit attributable to unitholders adjusted for unrealised gains and losses and amortisation expense

## Annual Result FY10 – key points cont'd

### FY 10 Financial results (cont'd)

- Portfolio value as at 30 June 2010 of ¥72.5 billion, a reduction of 5.5% since June 2009
- Net tangible assets (“NTA”) of 40 cpu (A\$164 million)<sup>4</sup>, 23% lower than in June 2009
- NTA if restated as at 30 June 2010 to reflect the potential conversion of Forum’s convertible Eurobond would be 20 cents per unit

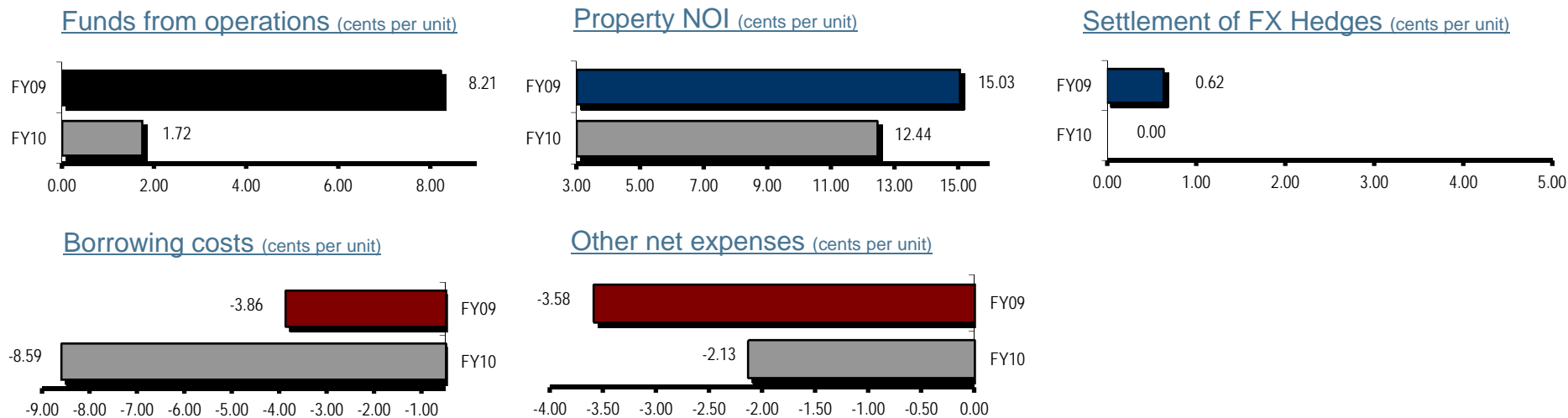
### Portfolio performance

- Portfolio occupancy 95.6% as at 30 June 2010 (95.4% at June 2009)
- Market conditions remain challenging within the Tokyo CBD with office vacancy increasing 1.89% over the past 12 months (9.14% as at June 2010)<sup>5</sup>, the highest level since the last vacancy peak in December 2003
- Average Tokyo office market rents have decreased by approximately 11.7% since June 2009<sup>5</sup>

4. AUD/JPY spot rate of ¥75.46 at 30 June 2010

5. Miki Shoji Co Ltd – Tokyo Office Building Market Research Report July 2010

## Financial Results FY10



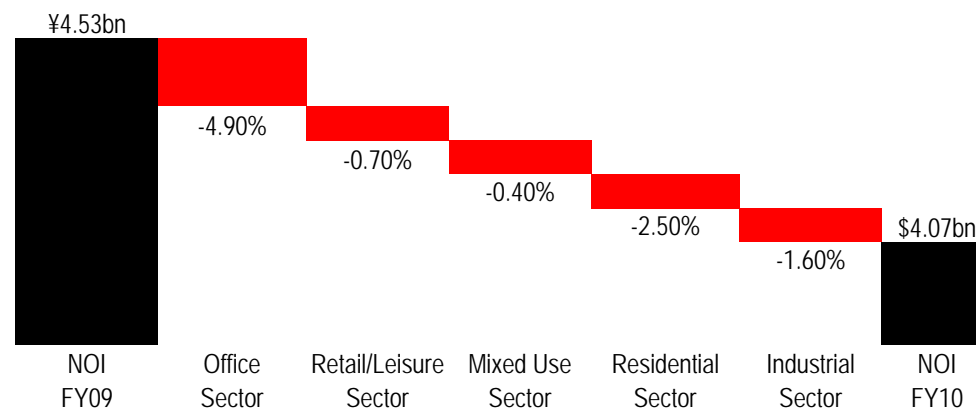
- Funds from operations of 1.72 (cpu), 79% lower than FY09 primarily due to a significant increase in borrowing costs plus a reduction in property NOI
- Property NOI was 10.1%<sup>1</sup> lower in ¥ terms from FY09, primarily due to the office portfolio (lower average occupancy and reduction in passing rents), nil contribution from income support on residential assets and tenant default at Funabashi Hi-Tech in June 2009
- Net gain from settlement of FX hedges in FY09 comprises \$18.6m of income from capital hedges and \$16.2m loss from income hedges
- Annual borrowing costs in ¥ terms 142% higher than pcp following 18 September 2009 refinancing (180% on an annualised basis)
- Other net expenses lower than pcp primarily due to reduced legal and valuation fees in FY10

1. Property net income decrease by 17.2% vs pcp in AUD terms

## Property Net Income (“NOI”)

### Movement in NOI by Sector

	NOI 30 June 2009 (¥m)	NOI 30 June 2010 (¥m)	Movement Jun 09 & Jun 10
Office	1,586	1,364	(14.0%)
Retail/Leisure	1,785	1,753	(1.8%)
Mixed Use	290	269	(7.2%)
Residential	555	444	(20.0%)
Industrial	184	113	(38.4%)
Hotel	127	127	0.0%
<b>PORTFOLIO</b>	<b>4,527</b>	<b>4,070</b>	<b>(10.1%)</b>



- Key contributors to decrease in NOI for the office sector due to the following:
  - Decrease in average occupancy during the year for the office portfolio. Average occupancy for FY09 was 96% versus 89% for FY10
  - Average passing rents for the office portfolio reduced by 8% in FY10 through both new leases and renewals at lower market rent levels
- Decrease in the retail NOI mainly due to a decrease in average passing rents of 9% at Daimyo 247, Fukuoka building
- Decrease in NOI in the residential portfolio mainly due to the income support for the residential properties being completely utilised by 30 June 2009, plus lower average occupancy at Shiroi from 83% in FY09 to 78% in FY10 (Shiroi was not included in the residential income support facility)
- The tenant at Funabashi Hi-Tech (Industrial) defaulted under their lease in June 2009 reflecting the decrease in NOI for the industrial sector. This property was subsequently re-leased at the end of the financial year but at a rent 24% lower than previous passing
- FY11 NOI anticipated to be relatively stable compared to FY10

## Financial Results FY10

### Movement in NTA



- NTA of 40 cents per unit, a decrease of 23% since June 2009, primarily due to property devaluation from 30 June 2009 to June 2010 of 5.5%
- Following full repayment of the mezzanine eurobonds, the convertible eurobonds may be redeemed, at the holder's option, in cash for the then outstanding principal amount (including accrued interest) or converted into an interest in the Japanese TK business equal to a fixed 40% of the Japanese TK business interest currently held by the Trust. If this conversion had taken place at 30 June 2010 the NTA backing per unit would have reduced from \$0.40 per unit to \$0.20 per unit. At this point in time it is unclear if and when the convertible eurobonds will be converted

## Summary of loan facilities/ Eurobond issues

	Facility	Key Terms of Facility
Senior and Mezzanine Lender	Senior Bank Loan "Senior Lender"	¥42.89 billion (A\$568.3 million <sup>2</sup> ) Term to December 2012 Margin - 175 basis points Mandatory amortisation of 2.3% p.a. of outstanding loan principal (~¥1.0 billion (A\$12.9 million <sup>1</sup> ) in year 1) No LTV covenant, DSCR covenant 1.5x (as defined)
	Mezzanine Eurobonds Forum Partners "Forum"	¥10.18 billion <sup>1</sup> (A\$134.9 million <sup>2</sup> ) Term to September 2014 10.0% p.a cash coupon payable quarterly and 5.0% p.a payment-in-kind (PIK) coupon accrued quarterly Restrictions on the Japanese Master TK and Sub-TKs incurring additional debt No DSCR or LTV covenants
	Convertible Eurobonds Forum Partners "Forum"	¥1.34 billion <sup>1</sup> (A\$17.8 million <sup>2</sup> ) Term to September 2016 with put option in September 2014 15.0% p.a PIK coupon accrued annually Following full repayment of the mezzanine eurobonds, the convertible eurobonds may be redeemed, at the holder's option, in cash for the then outstanding principal amount (including accrued interest) or converted into an interest in the Japanese TK business equal to a fixed 40% of the Japanese TK business interest currently held by the Trust No DSCR or LTV covenants
Derivative counterparty	Derivative Term Loan UBS AG "Derivative Counterparty"	¥4.59 billion <sup>1</sup> (A\$60.9 million <sup>2</sup> ) Term to September 2014 Interest rate – JPY LIBOR plus applicable margin Applicable margin 5% p.a. until the 3rd anniversary, thereafter 10% p.a. Interest will be capitalised quarterly to the facility amount No DSCR or LTV covenants, no prepayment penalty

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1. Balance as at 30 June 2010 – includes accrued PIK coupon
  2. AUD/JPY spot rate of ¥75.46 as at 30 June 2010

## Financial covenant compliance

### Loan Covenant status as at 30 June 2010

Facility	Amount (¥bn)	Maturity	No of properties as security	Required (DSCR)	Actual DSCR at 30 June 2010
Senior Bank Loan	42.89	Dec 2012	21	1.5x	1.71x

- There are no LTV covenant tests in any of the existing loan or eurobond facilities
- As at 30 June 2010, the actual DSCR under the senior loan document was 1.71x versus the threshold of 1.50x
- The Japanese asset manager (GJKB) is forecasting relatively stable property net income in FY11 vs FY10
- The DSCR required under the senior loan document is calculated quarterly using a formula which makes specific allowances for the following:
  - Ongoing reserves for property taxes and insurance
  - Budgeted capital expenditure
  - Leasing commissions
  - Assumed interest rate constant of 4.5%<sup>1</sup>
- DSCR headroom for the senior loan facility was ¥103m (approximately 8.4% of gross rental income) at the quarter ended 30 June 2010

## Business strategy

- Revised business strategy post September 2009 refinancing remains unchanged
- GJKK continues to investigate the sale of assets over the next 4 year period to optimise GJT unitholder returns
- Divestment program has commenced but has been slow primarily as transactional activity in Japan has been well below historical levels
- No income distributions (other than required for taxation purposes) will be paid to GJT unitholders until Forum and UBS debts have been fully repaid
- Given the costs associated with the September 2009 refinancing it is anticipated that GJT unitholders will not have any taxable income for the foreseeable future
- GJKK has a very proactive asset management focus particularly in respect to leasing to best position assets to maximise disposal proceeds
- On completion of the sale of the portfolio, the net surplus in the Japanese TK business will be utilised to repay the UBS term loan facility and returning residual TK contributions to unitholders
- The September 2009 refinancing resulted in a significant increase in the cash required to service the Japanese TK business borrowings (interest and principal amortisation). Asset sales in the next 12 to 18 months may be necessary to ensure the Japanese TK business continues to have adequate working capital to remain a going concern
- In the absence of any asset sales during this period the Japanese TK manager will be reliant on either, outperformance in property net income or other refinancing initiatives to improve operational cash flows

## Indicative returns to GJT unitholders – sensitivity

- Forecast future return to GJT unitholders is highly sensitive to a number of assumptions that cannot be accurately predicted, particularly given the length of time involved
- Based on simplified assumptions, and subject to the key risks outlined in slides 25 and 26, the table below sets out the possible proceeds GJT unitholders may receive following the orderly sale of the property portfolio and repayment of all liabilities

	DIVESTMENT (SEPTEMBER 2013) <sup>1,2</sup>			
	Exit as at 30 June 2010 at current book value	Exit at 10% discount to current book value	Exit at current book value	Exit at 10% premium to current book value
Forecast portfolio realisation (net of selling costs) (¥bn)	72.5	65.2	72.5	79.8
Other Net Assets (¥bn)	1.5	1.5	1.5	1.5
Less: Total Senior bank loan debt obligations (¥bn) <sup>3</sup>	(42.9)	(39.8)	(39.8)	(39.8)
Less: Total Mezzanine Eurobond debt obligations (¥bn)	(10.2)	(11.9)	(11.9)	(11.9)
Less: Net Tenant Security Deposit liability (¥bn)	(2.7)	(2.7)	(2.7)	(2.7)
Estimated TK net surplus (¥bn)	18.2	12.3	19.6	26.9
Less: TK Operator share (OEI) (¥bn)	(0.3)	(0.2)	(0.3)	(0.4)
Less: Forum share if converted (¥bn)	(7.1)	(4.8)	(7.7)	(10.6)
Less: UBS Derivative loan (¥bn)	(4.6)	(5.8)	(5.8)	(5.8)
Australian TK contribution refund (¥bn)	6.2	1.5	5.8	10.1
Australian TK contribution refund at AUD/JPY 75.5 <sup>4</sup> (A\$m)	81.5	19.8	76.6	133.4
<b>Estimated proceeds per unit at AUD/JPY 75.5<sup>4</sup> (A\$)</b>	<b>0.20</b>	<b>0.05</b>	<b>0.19</b>	<b>0.33</b>
<b>Exchange rate sensitivity</b>				
Proceeds per unit at AUD/JPY 55 (A\$)		0.07	0.26	0.45
Proceeds per unit at AUD/JPY 95 (A\$)		0.04	0.15	0.26

- Simplified summary – assumes constant exchange rate and application of all operating cash flows and asset sale proceeds to operating costs and debt servicing and repayment obligation
- Includes accrued PIK coupon for Mezzanine Eurobond and UBS derivative loan and the impact of amortisation on senior bank loan
- Assumes the terms of the senior debt remain unchanged at expiry in December 2012
- AUD/JPY spot rate of ¥75.46 at 30 June 2010

# Portfolio and market update



## Portfolio update as at 30 June 2010

	30 JUNE 2009	30 JUNE 2010	CHANGE IN PERIOD
Number of properties	26	26	-
Total Portfolio book value (100% interest) (¥bn)	76.7	72.5	(4.2)
Net Rentable Area (sqm)	224,216	224,270	54
Occupancy (by area) (%)			
Office	92.8	89.6	(3.2)
Retail / Mixed Use	98.3	99.1	0.8
Residential	85.0	85.5	0.5
Industrial	100.0	100.0	-
Hotel	100.0	100.0	-
Overall Portfolio	95.4	95.6	0.2
Number of leases <sup>1</sup>	166	180	14
Proportion of portfolio income (Std Japanese lease) (%)	65	64	(1)
Proportion of portfolio income ("non-cancellable") (%)	35	36	1
Weighted ave. Cap. Rate (%)	5.96	6.05	0.09
Average asset value (¥bn)	3.0	2.8	(0.2)

- Portfolio occupancy has improved marginally to 95.6 % despite a more challenging leasing environment and an increase in tenant turnover particularly in the Tokyo office portfolio
- Funabashi Hi-Tech (Industrial) has been re-leased under a 10 year long term standard lease at ¥3,800 /tsubo/month<sup>2</sup>
- Decrease in occupancy in the Hiei Kudan (reduction by 28%) and Azabu Amerex (reduction by 21%) buildings as at 30 June 2010 are the main contributors to the overall decrease in occupancy in the office sector
- Revaluation decrement of 5.5% in the 12 months to 30 June 2010 primarily reflecting reduction in market rents and underlying cash flows rather than material changes in capitalisation rates

12 1. Number of leases excludes individual residential leases  
 2. Previous tenant defaulted on lease and vacated premises. The new rental is approximately 25% lower than the previous passing rent

## Rental reversions in the year

OFFICE	# OF LEASES	AREA SQM	% OF OFFICE NRA	% CHANGE IN RENTAL
New leases	20	4,137	14.6%	(23.0%)
Lease renewals in period	27	6,103	21.5%	0.0%
Forward renewals	2	2,525	8.9%	(10.5%)

RETAIL	# OF LEASES	AREA SQM	% OF RETAIL NRA	% CHANGE IN RENTAL
New leases	7	1,804	0.9%	(41.7%)
Lease renewals in period	23	2,988	2.4%	(0.3%)

- 45% of office space was subject to a review during the financial year. Approximately half this area (21.5% of NRA) relates to sitting tenants renewing where the passing rent was unchanged. Leasing to new tenants or those renegotiated mid term (new leases or forward renewals) resulted in lower rent levels reflecting weaker market conditions
- Forward renewals in the office portfolio negotiated during the year included a decrease in rent of 7% for the single tenanted building, Irifune (2,119sqm)
- The retail portfolio is typically subject to few review opportunities given the nature of retail leases. However those leases renewed in the year showed a 0.3% reduction in passing rent. Four new leases at Daimyo 247, Fukuoka were negotiated during the financial year (561sqm), which accounts for the entire percentage change in retail new leases during the year. The three other new leases relate to areas that had previously not been leased

## Revaluation of the portfolio as at 30 June 2010

### Book Value Summary<sup>1</sup>

	Book Value as @ 30 June 2009	Book Value as @ 30 June 2010	% Difference Jun 2009 & Jun 2010
Office	30.3	27.3	(9.9)
Retail/Leisure	30.0	29.7	(1.0)
Mixed Use	4.5	4.2	(6.7)
Residential	7.4	7.1	(4.1)
Industrial	2.6	2.5	(3.8)
Hotel	1.9	1.7	(10.5)
<b>PORTFOLIO</b>	<b>76.7</b>	<b>72.5</b>	<b>(5.5)</b>

### Capitalisation Rate Summary

	Weighted Ave Cap Rate (%) 30 June 2009	Weighted Ave Cap Rate (%) 30 June 2010	Movement Jun 09 & Jun 10
Office	5.14	5.27	0.13
Retail/Leisure	6.14	6.14	0.00
Mixed Use	6.67	6.85	0.17
Residential	7.39	7.49	0.10
Industrial	6.91	6.98	0.07
Hotel	7.47	7.67	0.20
<b>PORTFOLIO</b>	<b>5.96</b>	<b>6.05</b>	<b>0.09</b>

- The overall movement in carrying value for the portfolio from June 2009 to June 2010 is a devaluation of 5.5% or ¥4.2bn.
- Devaluation of the portfolio was mainly driven by changes in underlying cash flows. Seven properties experienced a material change in underlying cash flows. These assets were independently revalued by Savills Japan KK. The independent valuation of these assets represented a decrease of 10.6% compared to 30 June 2009 values
- Capitalisation rates have remained relatively stable across the portfolio with the weighted average cap rates increasing by 10 bps on the seven assets independently valued by Savills Japan KK
- Directors' valuations were completed on all remaining assets not independently valued by Savills Japan KK. A further 10 of the remaining 19 assets have been written down by an average of 8.5%

## Japan - Economy

### Recent performance (Q2 2010)

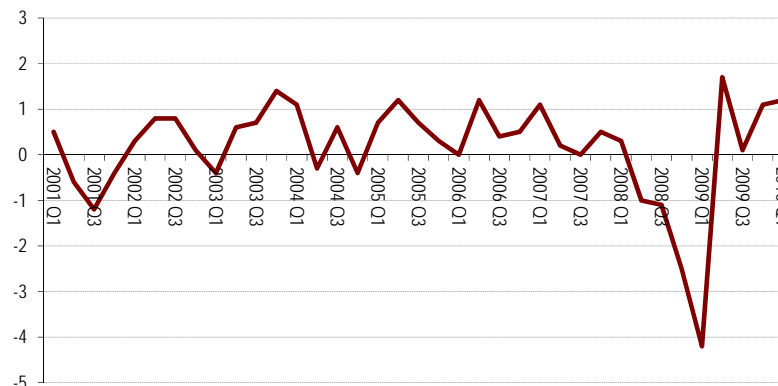
- Japan experienced a recovery in unemployment rates over the first six months of the financial year. However, this trend reversed in the second half with an unemployment rate as at 30 June 2010 of 5.3%, 10bps higher than June 2009
- Japan's economy has shown signs of a moderate recovery induced by improvement in overseas economic conditions
- Continuing recovery of Japan's economy will be challenged by the following key factors:
  - Continued demand by the Chinese economy – Japan's main trading partner
  - Appreciation of the yen against the Euro making Japanese products relatively more expensive

Japanese unemployment (%)



Source: Cabinet Office

Japan – GDP (qoq)

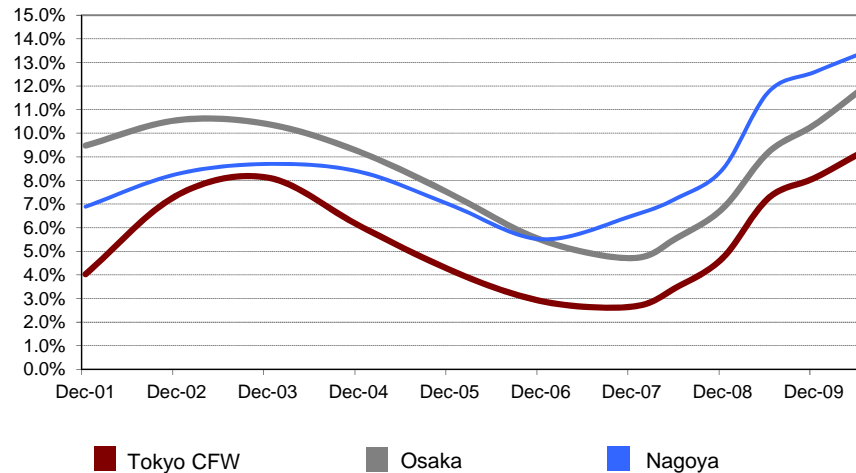


Source: Cabinet Office

## Japan - Real estate market

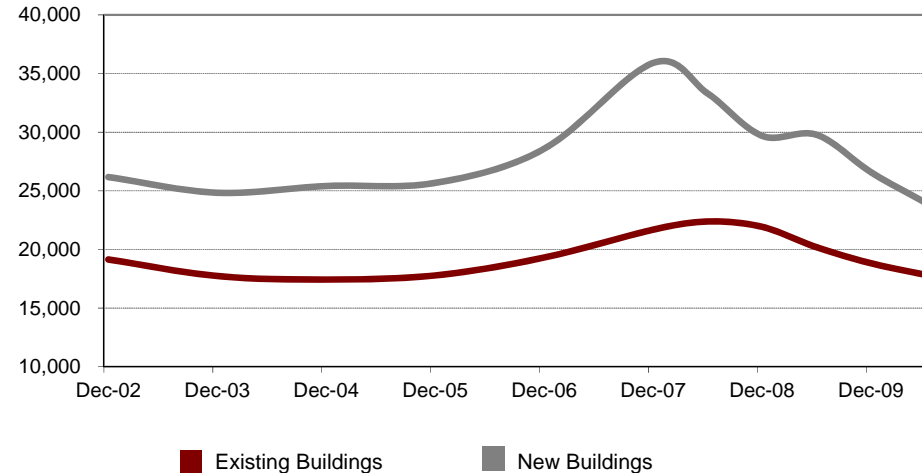
- Average vacancy rates in Tokyo office continued to trend up in FY10 (9.14% as at June 2010), an increase of 1.89% since June 2009<sup>1</sup>
- During the past six months, the rate of increase in office vacancy has slowed compared with the first half the financial year
- Average market rents in CBD Tokyo have continued to trend down with a decrease of approximately 11.67% over the 12 months to 30 June 2010<sup>1</sup>
- The decrease in average market rents is predominantly being led by newly constructed buildings (19.47%) as opposed to the existing buildings (11.65%), where reduction in market rent has been less significant since June 2009<sup>1</sup>

Office Vacancy – Japan’s major CBD’s



Source: Miki Shoji July 2010

Tokyo CFW office rents (¥/tsubo/month)



Source: Miki Shoji July 2010

## Appendix 1

### Additional Information



## Statement of funds from operations (FFO)<sup>1</sup>

	FY10 ACTUAL ¥'000	FY09 ACTUAL ¥'000
Net property income	4,070,339	4,527,320
Interest expense - Bank	(1,319,884)	(1,163,098)
Interest expense - Bonds	(1,302,101)	-
Finance cost amortisation	(587,671)	(203,197)
Write-off interest rate swap reserve	(984,211)	-
MTM gain on interest rate swap	165,347	-
Asset management fee	(487,769)	(494,772)
Other expenses	(80,497)	(191,164)
Outside equity interest	17,733	(76,728)
Net income/(loss) from TK Business	(508,714)	2,398,361
Exchange rate (¥/A\$)	80.68	74.29
	A\$'000	A\$'000
Net income/(loss) from TK business	(6,302)	32,288
Interest expense – foreign currency (UBS) loan	(2,320)	-
Finance cost amortisation	(285)	-
Income from capital hedge	-	18,650
Foreign exchange gain/(loss)	5,197	(16,155)
Loss on property revaluations (net of minority interest share)	(57,231)	(215,323)
Unrealised loss on derivative financial instruments	-	(74,888)
Other expenses	(1,295)	(1,392)
Net profit/(loss) before tax	(62,236)	(256,820)
Deferred tax credit/(expense)	-	7,999
Withholding tax	-	(2,747)
Net profit/(loss) after tax	(62,236)	(251,568)
Add back non-cash items	69,209	284,865
Funds from operations	6,973	33,297
Funds from operations (cents per unit)	1.72	8.21
Distribution paid/ payable (cents per unit)	nil	0.025

18 <sup>1</sup> FFO represents net profit attributable to unitholders adjusted for unrealised gains and losses and amortisation expense

## Statement of financial position as at 30 June 2010

	¥'000	A\$'000
Current assets		
Cash and cash equivalents	4,316,010	57,196
Trade and other receivables	587,079	7,780
<b>Total current assets</b>	<b>4,903,089</b>	<b>64,976</b>
Non-current assets		
Investment property	72,529,435	961,164
Other assets	12,979	172
<b>Total non-current assets</b>	<b>72,542,415</b>	<b>961,336</b>
<b>TOTAL ASSETS</b>	<b>77,445,504</b>	<b>1,026,312</b>
Current liabilities		
Trade and other payables	1,333,001	17,665
Interest bearing liabilities	977,811	12,958
Tenant security deposits	1,179,893	15,636
Derivative financial instruments	40,069	531
<b>Total current liabilities</b>	<b>3,530,773</b>	<b>46,790</b>
Non-current liabilities		
Interest bearing liabilities	57,717,392	764,874
Tenant security deposits	2,750,517	36,450
Derivative financial instruments	778,747	10,320
Other	35,466	470
<b>Total non-current liabilities</b>	<b>61,282,122</b>	<b>812,114</b>
<b>TOTAL LIABILITIES</b>	<b>64,812,896</b>	<b>858,904</b>
<b>NET ASSETS</b>	<b>12,632,608</b>	<b>167,408</b>
Non-controlling interest		(3,302)
<b>NET ASSETS (attributable to unitholders)</b>		<b>164,106</b>
Units on issue (million)		405.6
NTA per Unit (A\$) <sup>2</sup>		0.40
Debt to assets ratio		75.9%
Total liabilities to total assets ratio		83.7%

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1. Statement of financial position translated at AUD/JPY spot rate of ¥75.46 at 30 June 2010
  2. NTA if restated as at 30 June 2010 to reflect the potential conversion of Forum's convertible Eurobond would be 20 cpu

## Book Values as at 30 June 2010

	Property	Prefecture	Occupancy (%) 30 June 2010	Market Rents 30 June 2010 <sup>2</sup>	Passing Rents 30 June 2010 <sup>2</sup>	Book Value 30 June 2009 (¥bn)	Book Value 30 June 2010 (¥bn)	Mvmt (%)
<b>OFFICE</b>								
1	Seishin	Tokyo	89.1	22,000	21,624	8.4	7.7	(8.3)
2	Tsukasacho	Tokyo	93.4	17,250	17,323	3.7	3.2	(13.5)
3	Takadanobaba Access	Tokyo	100.0	16,000	15,313	4.1	3.5	(14.6)
4	Kanda NK	Tokyo	100.0	19,000	20,739	4.2	3.8	(9.5)
5	Azabu Amerex	Tokyo	64.9	17,000	18,521	2.4	2.2	(8.3)
6	Hiei Kudan	Tokyo	72.5	18,200	18,275	2.2	2.0	(9.1)
7	Irifune Access	Tokyo	100.0	16,000	16,000	2.0	1.8	(10.0)
8	Doshoumachi	Osaka	100.0	9,000	9,911	0.8	0.7	(12.5)
9	Nara 2	Kanagawa	82.0	11,500	10,881	2.5	2.4	(4.0)
<b>Total/ Average</b>			<b>89.6</b>	<b>16,831</b>	<b>16,981</b>	<b>30.3</b>	<b>27.3</b>	<b>(9.9)</b>
<b>RETAIL/LEISURE</b>								
10	Shinbashi Redbrick	Tokyo	100.0	26,000	24,241	4.3	4.3	-
11	Daimyo 247	Fukuoka	100.0	16,550	15,268	1.3	1.0	(23.1)
12	Kishiwada	Osaka	100.0	3,877	4,081	9.2	9.2	-
13	Seiyu Minakuchi	Shiga	100.0	3,702	3,703	3.7	3.7	-
14	Suroy Mall, Fukuoka	Fukuoka	100.0	5,058	5,023	7.5	7.5	-
15	Suroy Mall, Kumamoto	Kumamoto	97.1	6,655	6,672	4.0	4.0	-
<b>Total/ Average</b>			<b>99.7</b>	<b>5,061</b>	<b>5,086</b>	<b>30.0</b>	<b>29.7</b>	<b>(1.0)</b>

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1. Assets highlighted in blue were independently revalued as at 30 June 2010 by Savills Japan KK. All other values reflect Directors' valuations as at 30 June 2010
  2. Passing and market rents are inclusive of common area maintenance "CAM"

## Book Values as at 30 June 2010 (cont'd)

	Property	Prefecture	Occupancy (%) 30 June 2010	Market Rents 30 June 2010 <sup>2</sup>	Passing Rents 30 June 2010 <sup>2</sup>	Book Value 30 June 2009 (¥bn)	Book Value 30 June 2010 (¥bn)	Mvmt (%)
<b>RESIDENTIAL</b>								
16	Shiroi	Chiba	81.7	3,650	3,646	2.3	2.2	(4.3)
17	Matsuya Residence Sekime	Osaka	87.6	6,100	5,977	1.8	1.7	(5.6)
18	Royalhill Sannomiya II	Kobe	99.2	9,700	9,928	1.5	1.4	(6.7)
19	Imazato	Osaka	86.7	5,000	5,137	1.0	1.0	-
20	Prejeal Utsubo	Osaka	97.0	9,500	9,606	0.8	0.8	-
<b>Total/ Average</b>			<b>85.5</b>	<b>5,042</b>	<b>5,055</b>	<b>7.4</b>	<b>7.1</b>	<b>(4.1)</b>
<b>MIXED USE</b>								
21	Lions Square	Saitama	100.0	5,750	5,991	1.9	1.8	(5.3)
22	Confomall	Sapporo	89.5	5,700	5,850	1.3	1.2	(7.7)
23	Itabashi Belle Maison	Tokyo	92.2	8,900	9,532	1.3	1.2	(7.7)
<b>Total/ Average</b>			<b>94.3</b>	<b>6,379</b>	<b>6,664</b>	<b>4.5</b>	<b>4.2</b>	<b>(6.7)</b>
<b>INDUSTRIAL</b>								
24	Funabashi Hidan	Chiba	100.0	4,500	4,506	1.8	1.8	-
25	Funabashi Tesco <sup>3</sup>	Chiba	100.0	4,000	3,800	0.8	0.6	(25.0)
<b>Total/ Average</b>			<b>100.0</b>	<b>4,332</b>	<b>4,268</b>	<b>2.6</b>	<b>2.5</b>	<b>(3.8)</b>
<b>HOTEL</b>								
26	Asakusa Vista Hotel	Tokyo	100.0	12,087	12,761	1.9	1.7	(10.5)
<b>Total/ Average</b>			<b>100.0</b>	<b>12,087</b>	<b>12,761</b>	<b>1.9</b>	<b>1.7</b>	<b>(10.5)</b>
<b>TOTAL PORTFOLIO</b>			<b>95.6</b>	<b>6,696</b>	<b>6,756</b>	<b>76.7</b>	<b>72.5</b>	<b>(5.5)</b>

1. Assets highlighted in blue were independently revalued as at 30 June 2010 by Savills Japan KK. All other values reflect Directors' valuations as at 30 June 2010
2. Passing and market rents are inclusive of common area maintenance "CAM"
3. Funabashi Hi-Tech has been renamed as Funabashi Tesco

## Leasing activity in detail

### Office portfolio

	AREA SQM
Total Office NRA	28,416
Occupied area at beginning of period	26,373
<b>Occupancy % at beginning of period</b>	<b>92.8 %</b>
Lease expiry in period	(6,103)
Lease renewals	6,103
Lease terminations	(5,057)
New leases	4,137
Occupied area at end of period	25,453
<b>Occupancy % at 30June 2010</b>	<b>89.6%</b>



Takadanobaba Access, Tokyo



Nara II, Greater Tokyo



Kanda NK, Tokyo



Tsukasacho, Tokyo

## Leasing activity in detail

### Retail / mixed use portfolio

	AREA SQM
Total retail / mixed use NRA	140,742
Occupied area at beginning of period	138,240
<b>Occupancy % at beginning of period</b>	<b>98.3%</b>
Lease expiry in period	(3,733)
Lease renewals	3,733
Lease terminations	(1,009)
New leases	2,227
Occupied area at end of period	139,458
<b>Occupancy % at 30 June 2010</b>	<b>99.1%</b>



Suroy Mall Fukuoka, Chikushino



Itabashi Belle Maison, Tokyo



Daimyo 247, Fukuoka

## Appendix 2

### Key Risks



## Key risks

Galileo Japan Funds Management Limited (“GJFML”) recognises that an investment in GJT has changed given the adoption of the revised business strategy communicated to unitholders in September 2009. GJFML believes there continue to be significant risks and makes no assurance that the current strategy can be successfully executed. The following is intended to assist unitholders understand the key risks of an investment in GJT. This list is not a comprehensive list and a number of these risks may materially impact future returns.

### Property and market conditions

The ultimate amount of capital returned to unitholders will depend on the price achieved from the sale of GJT’s property portfolio. Factors relevant to determining value include rental, occupancy levels and property yield, and these may change significantly over time for a variety of reasons. Valuations represent only the analysis and opinion of qualified experts at a certain date – they are not guarantees of present or future values. The valuation of a property may be materially higher than the amount that can be obtained from the sale of a property in certain circumstances, such as under a distressed or liquidation sale.

The ability of GJKK to execute its business strategy will be facilitated by a stabilisation and recovery in the Japanese real estate market, as well as the broader Japanese economy. These factors are not in GJKK’s or GJFML’s control, and the near-term outlook remains highly uncertain. A weaker than anticipated recovery in market conditions may result in slower sales and actual proceeds being substantially lower.

### Property income

Property income is a key driver of the performance of the GJT portfolio and the Master TK’s ability to service debt obligations. The level of property income will depend on factors including rent and occupancy, both of which have experienced downward pressure in recent times. If current economic conditions continue, a number of rent adjustments may be required to fill vacant space.

### Foreign exchange

The A\$/¥ relationship has been extremely volatile over the last 12 months. In addition, the Derivative Counterparty has terminated its foreign exchange position. The exchange rate at the time of wind-up will impact the Australian dollar return of Japanese yen proceeds. The future level of exchange rates cannot be forecast accurately and is outside GJKK’s and GJFML’s control.

### Refinancing agreements

The refinancing agreements have various terms which, if breached, are likely to result in an event of default and higher financing costs. A number of factors impacting the refinancing agreement terms are not fully in GJFML’s control, including the operating performance of GJT’s assets. In addition, there is no certainty that facilities that expire in the future can be refinanced or refinanced on terms that are substantially comparable to current terms.

## Key risks (cont'd)

### Asset sale and potential wind-up costs

Completion of the business strategy requires the sale of all of GJT's portfolio and the potential wind-up of the various legal entities associated with GJT (and its investments in sub-trusts). This process is complex and will include the preparation of numerous legal agreements, interaction with various regulators in Australia and Japan as well as a Unitholder Meeting on wind-up. The costs associated with the completion of this process are difficult to predict. Furthermore, as this process is anticipated to be completed within 4 years, there is additional uncertainty with respect to both the required process and its cost.

### Tax

The refinancing agreement with Forum does not allow for cash distributions to be paid to GJT unitholders prior to the full repayment of their Eurobond facilities. Further, it is currently anticipated that no taxable income will be generated in the foreseeable future. This may not be the case if there is a stronger than anticipated performance of the portfolio. Tax implications may arise in the absence of distributions, and unitholders are encouraged to seek appropriate professional advice.

Additionally, the price to be achieved from the sale of GJT's property portfolio is uncertain. A higher than anticipated sale price may result in a Japanese tax liability and will be reflected in the ultimate return to unitholders. This may in turn give rise to Australian capital gains tax implications, and unitholders are encouraged to seek professional advice as to their individual cost bases.

Any change to tax legislation in either Australia or Japan, including tax on foreign investment income and withholding tax, may adversely impact the returns received by GJT unitholders.

### Timing

GJFML's business strategy assumes it can be executed within 4 years. There are a number of important steps and assumptions required for this strategy to be successfully executed over a period of time. GJFML is not in control of a number of these factors, and accordingly, there is a risk the proposed timing is not achieved.

### Unit liquidity

There can be no guarantee of an active market in GJT securities. There may be relatively few or no potential buyers or sellers of GJT securities at any time particularly as an attraction of an investment in REITs is their distribution and GJT will not make any distributions (other than required for taxation purposes) until Forum and the Derivative Counterparty are fully repaid. Given the costs associated with the September 2009 refinancing it is anticipated that GJT unitholders will not have any taxable income in the foreseeable future

This may increase the volatility of the market price of the securities. It may also affect the price at which investors are able to sell their securities.

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