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ASX / Media Release

GALILEO JAPAN TRUST
INTERIM FINANCIAL RESULT FY10 - REFLECTS IMPACT OF RECENT LOAN REFINANCING AND CHALLENGING MARKET CONDITIONS

Please find attached a Galileo Japan Trust (ASX code: "GJT") announcement relating to the Trust's interim financial results for the half-year ended 31 December 2009.

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About Galileo Japan Trust

The Trust is listed on the Australian Stock Exchange with an indirect beneficial interest in a portfolio of 26 Japanese Real Estate investments valued at approximately ¥76.4 billion (approximately A$922[1] million). The portfolio is well diversified by both sector and geography while retaining a strong bias to Greater Tokyo.

Further information on Galileo Japan Trust is available at www.galileofunds.com.au

[1] $A/¥ exchange rate of ¥82.82 as at 31 December 2009

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GALILEO JAPAN TRUST
INTERIM FINANCIAL RESULT FY10 - REFLECTS IMPACT OF RECENT LOAN REFINANCING AND CHALLENGING MARKET CONDITIONS

Galileo Japan Funds Management Limited ("GJFML"), the responsible entity for the Galileo Japan Trust (the Trust), today announced the Trust's interim result for the half-year ended 31 December 2009.

Key points in the period are summarised below:

- 18 September 2009 refinancing of the Trust's 2009 loan maturities has, as forecast, resulted in significantly higher finance costs (176% or approximately ¥2.1 billion on an annualised basis)
- Mandatory amortisation under the senior loan document commenced in the December 2009 quarter. Principal repayment equates to 2.3% of the outstanding loan balance annually, approximately ¥1 billion (A$12.1 million)
- The refinancing eliminated all short term loan maturities (earliest maturity now December 2012) and also removed all LTV covenant tests
- Funds from operations ("FFO")[1] of A$6.96 million or 1.72 cents per unit ("cpu"), FFO in the previous corresponding period ("pcp") was A$17.53 million or 4.32 cpu
- Net property income of ¥2.08 billion, 9.1% below pcp
- Total liabilities to total assets was 79.3% as at 31 December 2009 (79.7%, 30 June 2009)
- Net tangible assets "NTA" of 49 cpu (52 cpu 30 June 2009)
- NTA if restated as at 31 December 2009 to reflect the potential conversion of Forum Partners convertible Eurobond would be 26 cents per unit
- Portfolio occupancy 94.5% at 31 December 2009 (95.4% 30 June 2009)
- Carrying value of the portfolio has reduced 0.5% to ¥76.4 billion as at 31 December 2009

Financial performance
Galileo Japan Trust today reported FFO for the half year ended 31 December 2009 of $6.96 million equating to 1.72 cpu. The result was adversely impacted by the 18 September 2009 refinancing of short term loan maturities which led to a significant increase in finance costs. In future reporting periods, the substantial increase in borrowing costs is likely to result in minimal, if any, FFO.

FFO was also impacted by a reduction in property net operating income due to increased vacancy and lower rents upon re-leasing. These latter factors were to a large extent anticipated and are the direct result of more difficult market conditions particularly in the Tokyo office portfolio.

The Trust reported a net profit after tax of $A5.0 million for the interim period.

Neil Werrett, Managing Director and CEO of GJFML said, "Operationally the property portfolio has performed broadly in line with expectations. In the context of arguably the most challenging market conditions seen in Japan since 2003 we believe this is a solid result. "

Balance Sheet
Total assets in A$ terms have decreased by 6% during the period to approximately A$986 million. The Trust's net assets have decreased during the period by 4.8% to A$199 million (49 cents per unit[2]). The majority of this

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

[2] NTA if restated as at 31 December 2009 to reflect the potential conversion of Forum Partners convertible Eurobond would be approximately 26 cents per unit

reduction relates to an unfavourable movement in the $A/¥ exchange rate which was ¥82.82 as at 31 December 2009 compared to ¥77.65 at 30 June 2009.

The Trust's ratio of total liabilities to total assets was 79.3% as at 31 December 2009 slightly lower than at 30 June 2009 of 79.7%.

Capital Management

The Trust completed a refinancing on 18 September 2009 resulting in the extension of GJT's debt maturity profile, removal of LTV covenant tests and the introduction of mandatory amortisation. Short term senior loan maturities were repaid with a mezzanine and convertible Eurobond investment from Forum Partners. This created a stabilised capital structure to facilitate the execution of a revised business strategy, namely the orderly sale of the portfolio and return of capital to GJT unitholders over a forecast period of 2 to 4 years.

In summary, Forum contributed ¥11.0 billion to repay September and December 2009 loan maturities and to partially repay the loan principal outstanding to the Senior Lender (approximately ¥9.6 billion) with the balance applied to working capital and transaction costs. Forum's ¥11.0 billion investment was structured as follows:

- ¥9.8 billion mezzanine Eurobonds with both a cash and deferred interest coupon; and
- ¥1.2 billion convertible Eurobonds with a deferred coupon, which following full repayment of the mezzanine 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 equal to a fixed 40% of the Japanese TK interest currently held by the Trust (together the "*Bonds*")

The refinancing has resulted in no loan maturity before December 2012 and no loan to value covenants in any of the loan facilities. An important condition of Forum providing the capital to repay the Senior Loan principal is that no distributions will be made to GJT unitholders until the Bonds are fully repaid. Any surplus cash flow after satisfying the interest and amortisation components of the new loan facilities will be retained in the Japanese TK and used to repay the Bonds principal.

Forum has agreed there will be adequate cash distributed from the Japanese TK to GJT to ensure the Trust's operating costs continue to be met.

The following table outlines the key features of each of the loan facilities as at 31 December 2009 (adjusted for senior loan amortisation and accrual of PIK interest).

FACILITY	KEY TERMS OF FACILITY
Senior Loan A Shinsei Bank	¥43.4 billion (A$523.8 million) Term extension to December 2012 Increased margin from 59 basis points to 175 basis points Mandatory amortisation of 2.3% per annum of outstanding loan principal (~¥1.0 billion (A$12.9 million) in year 1) No LTV covenant, DSCR covenant 1.5x (as defined)
Mezzanine Eurobonds Forum Partners	¥9.9 billion (A$120 million) Term of 5 years 10.0% per annum cash coupon payable quarterly and 5.0% per annum payment-in-kind ("*PIK*") coupon accrued quarterly Restrictions on the Japanese TK and Sub-TKs incurring additional debt No DSCR or LTV covenants, no prepayment penalty
Convertible Eurobonds Forum Partners	¥1.3 billion (A$15.1 million) Term of 7 years with put option after 5 years 15.0% PIK coupon accrued annually Following full repayment of the Mezzanine 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 equal to a fixed 40% of the Japanese TK interest currently held by the Trust Japanese TK not paying distributions to GJT (other than to cover operating expenses) until the Bonds are fully repaid or converted Restrictions on the Japanese TK and Sub-TKs incurring additional debt No DSCR or LTV covenants

Foreign Exchange Hedges

The derivative counterparty elected under the Bermuda Option to terminate the contracts on 24 August 2009. It was subsequently agreed to convert the "out of the money" mark to market liability to a yen denominated loan with GJT. The main loan terms are summarised in the table below:

FACILITY	KEY TERMS OF FACILITY
Derivative Term Loan UBS AG	¥4.5 billion (A$53.9 million) Term 5 years from 18 September 2009 Interest rate – JPY LIBOR plus Applicable Margin Applicable Margin 5% per annum until the 3rd anniversary, thereafter 10% per annum Interest will be capitalised quarterly to the facility amount No DSCR or LTV covenants, no prepayment penalty

Business Strategy

Until the full repayment of the Bonds issued to Forum and the facility with the derivative counterparty, the Japanese TK must not pay any distributions to the Trust, except funds required to cover the Trust's overhead expenses or required distributions for taxation purposes.

Following the refinancing it is GJFML's expectation that there will be sufficient time for both property and credit markets to stabilise, and potentially improve, such that GJT unitholders realise a better outcome than if property sales were forced in the current environment. Whilst no asset sales have been implemented to date, management believe there is scope to commence the divestment program with selective asset sales in the latter half of 2010.

Revaluations

The entire property portfolio was independently valued as at 30 June 2009 by Savills Japan KK resulting in a carrying value of ¥76.7 billion. This represented a write down of approximately ¥11.4 billion, a decrease of 18% since 30 June 2008.

For the period ended 31 December 2009, two assets have been written down based on Director's valuations. The Director's valuations have been adopted having regard to specific circumstances relating to these assets primarily reduced cash flow forecasts.

Directors' valuations as at 31 December 2009

	Location	Date of last Ind. Val'n	Last Ind. Val'n (¥bn)	Book value Jun'09 (¥bn)	Dir. Val'n Dec'09 (¥bn)	Change vs Jun'09 Book value (%)
Daimyo 247	Fukuoka	Jun'09	1.24	1.24	1.02	(17.7)
Funabashi Hi-Tech	Tokyo	Jun'09	0.84	0.84	0.71	(15.3)
Total			2.08	2.08	1.73	(16.9)

In respect to both assets future cash flow assumptions have been reduced following recent leasing activity. The Directors believe that in the circumstances it is appropriate to reduce the carrying value of these investment properties reflecting these changes. The overall impact on the carrying value of the portfolio is a reduction of ¥350 million or approximately 0.5% to ¥76.4 billion as at 31 December 2009.

Performance of Investment Portfolio

The property portfolio continues to perform in line with expectations maintaining high occupancy levels albeit slightly below historical levels. Key points for the period include:-

- Occupancy level 94.5% (95.4% as at 30 June 2009)
- Post 31 December 2009, approximately 36% of existing vacant office space has been re-leased or is in advanced negotiations with prospective tenants
- The weighted average lease term to expiry of GJT's "non-cancellable" leases (representing 34% of property income) exceeds 12 years

Outlook

Post the refinancing, GJT is primarily a capital return investment as no distributions will be made to unitholders until the Forum and derivative counterparty facilities have been repaid from the sale of the portfolio.

The result for the current reporting period was adversely impacted by the 18 September 2009 refinancing of short term loan maturities which led to a significant increase in finance costs. In future reporting periods, the substantial increase in borrowing costs is likely to result in minimal, if any, FFO.

There are numerous factors that could have a material impact on the potential return to unitholders at the completion of the asset sale program.

The following table is a simplified summary of potential asset sale proceeds, future loan repayment obligations and sensitivity of AUD/JPY spot rates to determine possible indicative returns to GJT unitholders after 4 years.

	AFTER 4 YEARS (SEPTEMBER 2013)[3]		
	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)	68.8	76.4	84.0
Less: Total Senior Debt obligations (¥bn)	(39.7)	(39.7)	(39.7)
Less: Total Mezzanine Eurobonds obligations (¥bn)	(11.9)	(11.9)	(11.9)
Less: Net Tenant Security Deposit liability (¥bn)	(3.2)	(3.2)	(3.2)
Estimated TK net surplus (¥bn)	14.0	21.7	29.3
Less: TK Operator share (OEI) (¥bn)	(0.2)	(0.3)	(0.4)
Less: Forum share if converted (¥bn)	(5.5)	(8.5)	(11.5)
Less: UBS Derivative liability (¥bn)	(5.8)	(5.8)	(5.8)
Australian TK contribution refund (¥bn)	2.5	7.0	11.6
Australian TK contribution refund at AUD/JPY 80 (A$m)	31.6	88.1	144.5
Estimated proceeds per unit at AUD/JPY 80 (A$)	0.08	0.22	0.36
Exchange rate sensitivity			
Proceeds per unit at AUD/JPY 60 (A$)	0.11	0.29	0.48
Proceeds per unit at AUD/JPY100 (A$)	0.06	0.18	0.29

The projections above are provided on an indicative basis only and GJFML cannot, under any circumstances, provide any assurance that any of these projections will be realised, or that any return will be made to GJT unitholders following the sale of the property portfolio and repayment of all liabilities.

This announcement should be read in conjunction with the FY'10 Interim Results Presentation dated 25 February 2010 and in particular the key risks in Appendix 2.

ENDS

[3] Simplified summary – assumes constant exchange rate and application of all operating cash flows and asset sale proceeds to operating costs, debt servicing and repayment obligations