

7 March 2017

RESPONSE TO COMMENTARY ON LONE STAR PROPOSAL

The Board of Astro Japan Property Group (AJA) refers to press commentary in relation to a proposal to acquire all of the Japanese real estate assets of AJA.

The Board and its asset manager regularly assess Astro's portfolio and value maximization initiatives for AJA investors. From time to time this assessment involves discussions with parties interested in acquiring the portfolio, or part of the portfolio, to determine if such a transaction would deliver a superior value proposition for AJA investors.

An affiliate of Lone Star Fund V (Lone Star Funds) made an approach to AJA in late 2016 to acquire the properties beneficially owned by AJA at the latest appraisal value, adjusted for subsequent transactions, with the sale proceeds to be returned to AJA securityholders (the Initial Proposal). The Initial Proposal was indicative, non-binding, incomplete and conditional, including being subject to due diligence, documentation, final investment committee approval and AJA reaching agreement with Spring Investment (the asset manager in Japan of AJA's property interests) to terminate the management agreement with any payments deducted from the consideration.

In conjunction with its financial advisers and with input from the asset manager, the Board undertook a detailed assessment of the Initial Proposal, taking into account in particular the expenses associated with loan break fees, asset level taxes and payments that would need to be made to terminate AJA's asset management agreements. These expenses were determined to be material, and significantly impacted the net outcome to securityholders.

The Board did not consider that the Initial Proposal would deliver acceptable value for AJA securityholders, and accordingly, determined not to grant due diligence access to Lone Star Funds.

In making this determination the Board also considered the facts that a proposed purchase of AJA's property interests at book value was unremarkable given the track record over many years - and in recent months - of AJA assets being sold for at least book value, the marked strength in Japan property values over the past two to three years and the scarcity of large scale and diversified property investment opportunities in Japan.

Additionally, as was addressed in the half year results presentation, the Board's expectation is that as and when the current surplus cash on AJA's balance sheet is invested there will be a continued material improvement in both earnings and distributions.

Astro Japan Property Group

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On 28 February 2017, Lone Star Funds wrote to the Board again seeking to undertake due diligence on AJA's Japanese real estate assets. Lone Star Funds' proposal reiterated a desire to acquire AJA's Japanese real estate assets at the revised 31 December 2016 book values (the Proposal), which showed a 0.5% increase over the six months previous values.

The Proposal does not represent a material improvement on the Initial Proposal that was rejected by the Board, either in terms of the value of the consideration or the certainty it provides for AJA securityholders. The Board is yet to formally respond to Lone Star Funds in relation to the Proposal and remains focused on the business-as-usual running of the fund.

The Board continues to consider and remains open to options which may deliver greater value for Astro investors and a superior net outcome to securityholders, taking into account the cost and expense factors mentioned above.

AJA has appointed Herbert Smith Freehills and Fort Street Advisers to assist it in its assessment of the Proposal.

ENDS

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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 27 retail, office, residential and hotel 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.