ASX/Media Release

9 November 2016

AGM ADDRESS TO SECURITYHOLDERS

Please find attached the Address to Securityholders to be delivered by the Chairman and Mr Eric Lucas, the Senior Advisor to the Astro Group, at today's Annual General Meeting.

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 28 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.

Astro Japan Property Group (AJA) - 2016 Annual General Meeting

Chairman's and Senior Advisor's address

<u>Chairman's Address – Mr Allan McDonald</u>

Good morning and welcome to the Astro Japan Property Group's 2016 Annual General Meeting.

I am pleased to report another strong performance from the Astro Group during the 2016 financial year, with underlying earnings up by 17% and distributions up by 26%. We have continued our focus on enhancing the capital structure and refining the property portfolio. I will take a few minutes later in my address to summarise the major elements of the achievements in these areas and the Senior Advisor's Address will provide a detailed outline of the year's activities.

Firstly, let me deal with our financial results. Our underlying profit after-tax was $31.5 million for the year ended 30 June 2016, compared to $26.8 million in 2015. Underlying profit after tax is a measure which directors believe most accurately and consistently reflects the underlying business performance of Astro.

Pleasingly, Astro achieved an increase in net property income on a like-for-like portfolio basis of 4.9% and, together with an almost 11% strengthening of the Japanese Yen, resulted in an increase in net property income of nearly 17% over the previous year, despite the negative impact from a number of asset sales. This result reflects stabilisation and some early evidence of potential rental growth, albeit small, linked to the efforts of the Japanese Government to stimulate and reflate the economy.

This improvement has been reflected in a tightening of capitalisation rates used by valuers, from an average of 5.3% to 5.1%, resulting in an increase in the fair value of the portfolio as at 30 June, 2016 by approximately $19 million, although the total value has reduced by 2.7% following the sale of four properties during the year. Funds from these sales and earlier refinancings are now available for capital management purposes and Mr Lucas will outline our recent property transactions using some of these funds.

The portfolio revaluation uplift, together with strengthening of the Japanese Yen, has resulted in an increase in NTA of 28.3% to $8.26 at 30 June 2016.

Having completed the refinancing of all of the portfolio debt on substantially improved terms during the previous financial year, our weighted average interest rate has reduced to 1.27% per annum at 30 June, 2016, and on an annual basis, financing costs were approximately $1 million or 10% lower than the prior year, with a further saving on annual amortisation payments of approximately $2.2 million. The weighted average maturity of Astro's debt is still comfortable at 6.9 years with gearing steady at 59%.

With approximately $44 million of excess funds available, we continue to consider acquisitions and other potential uses of our capital, as Mr Lucas will outline.

Distributions

A final distribution of 18 cents per security (cps) was paid on 31 August, 2016, bringing total distributions for the year to 36 cps, an increase of 26% compared to 28.50 cps for the previous year.

The Board reaffirms its ongoing emphasis on continuity of the highest prudent level of distributions to security holders and is proud to have been able to maintain an unbroken record of half yearly distributions since the Group was listed in 2005.

As announced on 24 August, distribution guidance for the six months to 31 December, 2016 is 21 cps. The 2016 full year distribution of 36 cents per security was less than underlying earnings of 51.9 cents per stapled security, with the balance used for capital management purposes. AJA expects to continue an ongoing programme of capital expenditure on the portfolio funded from cash flows, currently amounting to approximately 10 cents per security per year, to maintain the highest possible rental outcomes.

Outlook

The longer term outlook for the Group is of course influenced by the success of the Japanese Government's strategy to stimulate the Japanese economy, which so far has produced only modest improvements in the face of a sluggish global economy. Our focus will continue to be on deployment of cash resources, portfolio optimisation and asset level performance. Acquisitions and dispositions continue to be under consideration. Notwithstanding volatility in world markets, we believe the Group is positioned to withstand some economic downside but at the same time take advantage of opportunities which arise.

Based on an average foreign exchange rate of A$1=¥80, and assuming no substantial performance fee to the asset manager, underlying profit after tax for the current year to 30 June, 2017 is expected to increase by approximately 8%-11% to between $34 million and $35 million or approximately 56-58 cents per security.

Recently, Galileo Japan Trust, the only other Australian real estate trust with assets in Japan has sold its assets to a new REIT in Japan. So far this REIT, Sakura Sogo REIT, has traded somewhat disappointingly post IPO, which reflects our previously announced concerns that whilst the J-REIT IPO market continues to be active, recent smaller issues have struggled. Directors believe that Astro's continued strong liquidity position and both recent and long term return out-performance vs the A-REIT index, dictate that attempting a J-REIT transaction should only occur with some certainty over execution risk and security holder benefit. Accordingly, examination of this potential option will continue and updates will be made promptly if there is any substantial development.

Before moving to the Senior Advisor's address and formal business of the meeting, I would like to thank all security holders for their ongoing support and also thank my fellow directors, our management team and our Asset Manager for ongoing dedication.

I will now hand over to Eric Lucas, our Senior Advisor, who will provide commentary in relation to the Astro Group's recent developments and outlook.

Senior Advisor's address – Mr Eric Lucas

Thank you Allan.

Good morning and a warm welcome from me also to our 2016 Annual General Meeting.

2016 has been a significant year in the consolidation of Astro as the premier REIT listed in Australia having 100% of its investment in international property. Our focus, since listing in 2005, has been exclusively on Japanese property. Having dealt with the ups and downs of the market pre- and post- the global financial crisis, we are now benefiting from the stability of our structure and from strengthening of both the Japanese economy and the Japanese property market.

In 2015, we refinanced loans in each of the five special purpose companies through which Astro held its investments in its property portfolio. This has enabled Astro to shift its focus to enhancing income and rationalising the portfolio by selling smaller, older, non-strategic assets to free up capital for uses that we believe will create more security holder value. The Chairman has already summarised the significant benefits from our debt refinancings, with reduced interest costs, extended maturity terms and a major reduction in annual debt amortisation.

During the 2016 financial year, we sold four properties;

- In February, 2016 the office property Sun Ace Tokugawa for the equivalent of $16.9 million at a 4.6% premium to book value.
- Also in February, another office property Yamashitacho for the equivalent of $25.9 million, the current book value.
- In March, 2016 the retail property Sapporo Co-op for the equivalent of $12.9 million at a premium of 8.9% to book value.
- In May, 2016 the office property FT Nihombashi for the equivalent of $6.8 million at a premium of 7.8% to book value.

Since the close of the financial year, in late August we purchased two hotels for a total of approximately $19 million without debt and using some of the free cash that we have available from debt refinancings and asset sales. The hotels are expected to have an average net cash yield of approximately 5.8% on their acquisition prices, excluding initial costs, and their acquisition is expected to add about 1.6 cents per security to annual after-tax profits on a pro-forma basis. As part of the acquisition, we secured new 20 year non-cancellable leases for both hotels with an experienced Japanese hotel operator, Kuretakeso. Their business was established in 1948 as an operator of traditional Japanese hotels and they currently operate 24 business hotels, 5 full service "city hotels" and 3 resort hotels in Japan in addition to 5 hotels in Asian countries.

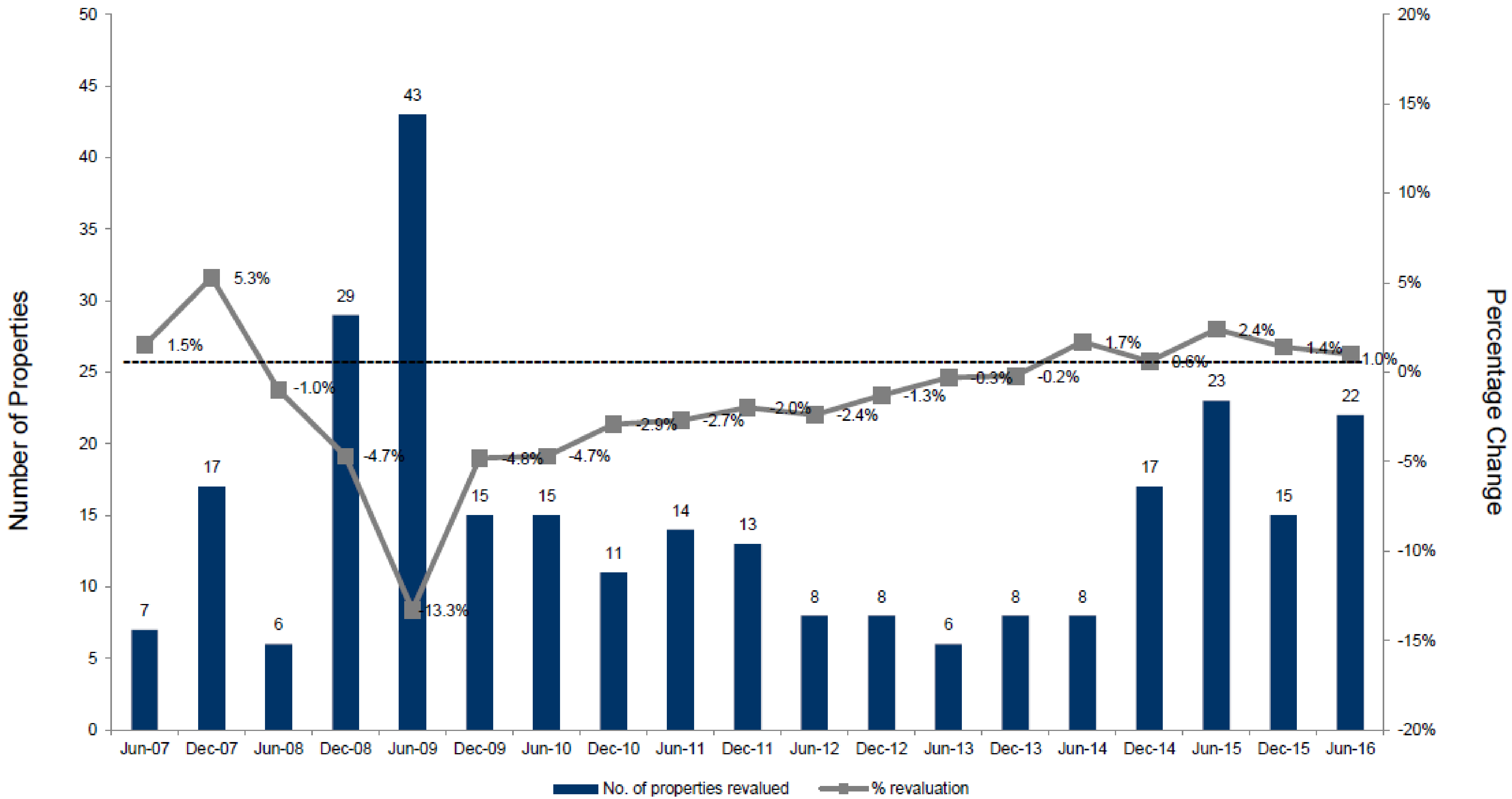
Further, consistent with our portfolio rationalization strategy, in September this year we sold a small office property, Sun No. 5, for the equivalent of $6.3 million at a 4.2% premium to book value. Following these transactions, we hold free cash of approximately $44 million equivalent, mostly in Japanese Yen.

As noted by the Chairman, with a firming trend in Japanese property prices, our property values showed an increase over the full year, with a total of 23 properties revalued upwards reflecting an increase of approximately 2.5%. Reflecting the continuing improvement in market sentiment, the weighted average capitalisation rate used by the independent valuers for the portfolio at June 2016 tightened in all of the sectors in which we invest; retail, office and residential, with the average dropping from 5.3% to 5.1%. This tightening accounted for most of the increase in the value of our properties.

Because we sold ¥4.9 billion of assets during the 12 months to June 2016, the total size by value of Astro's portfolio actually declined, despite the rise in individual asset values, to ¥83 billion as at June 2016 from ¥85.3 billion at June 2015, though in Australian dollar terms there was still an increase in the value of the portfolio, from $907.6 million at June 2015 to $1,082 million at June 2016, because of the ongoing strengthening of the Japanese Yen.

The chart on the screen shows the trend of recovery in property values for our portfolio, with increases in values beginning from mid-2014 following 6 years of downward revaluations after the GFC in 2008.

HISTORICAL TREND OF PORTFOLIO VALUATION



Across the portfolio of 27 properties at 30 June, occupancy levels remain strong, and we have seen marginal improvement in some rents. However, in common with other landlords, we are yet to see broad-based rent level improvement. This may well occur over time if the concerted efforts being made to reflate the Japanese economy are successful.

Significantly, on a like-for-like basis and excluding currency movements, our portfolio's net property income increased by 4.9% in the most recent financial year.

Consistent with improvements in the property market, the Astro Japan Group portfolio occupancy by area increased to 99.1% compared to 97.3% at 30 June 2015.

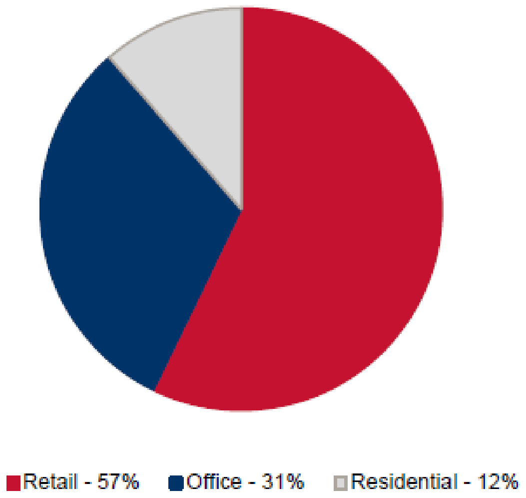
At the end of the financial year, Astro Japan Group's portfolio had 156 leases, down from 200 as at June 2015, mainly as a result of asset sales. Over 45% of revenues are derived from the top 10 tenants. The portion of total portfolio net property income derived from non-cancellable leases has increased to over 46%, up from 43% as at June 2015, mainly in our retail assets, contributing stability to Astro's medium term portfolio income stream.

We continue to believe that the key to the portfolio is the diversity of the property cash flows provided by a balance between retail and office with small residential and hotel components, a predominance of assets located within the Greater Tokyo area, and a combination of longer-term, non-cancellable leases and 'standard' leases which are cancellable usually on several months' notice.

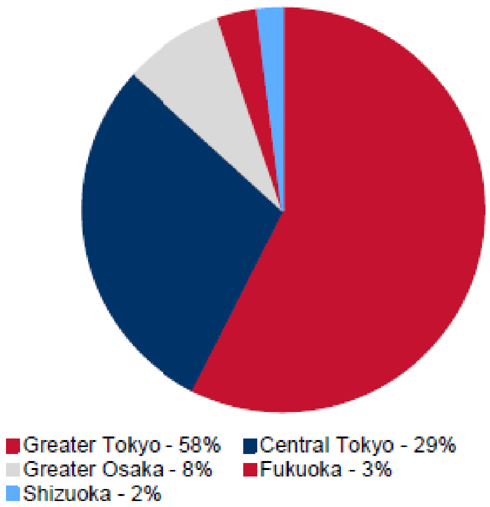
The diversity of the portfolio is now shown on the screen.

PORTFOLIO DIVERSIFICATION (AS AT 30 JUNE 2016)

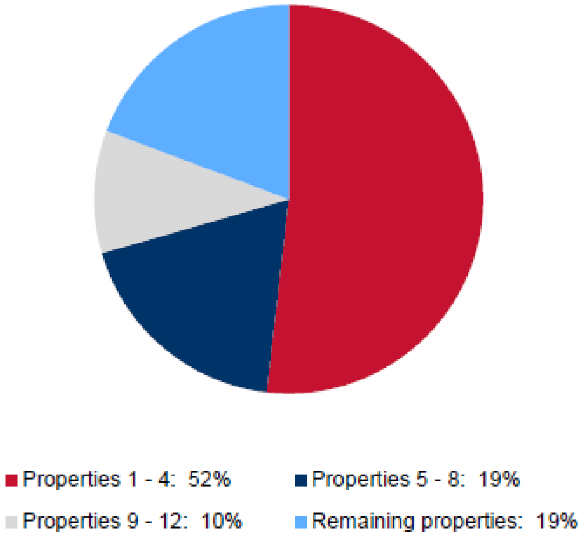
Asset class diversification (by value)



Geographic diversification (by value)



Asset diversification (by value, largest to smallest)



Outlook

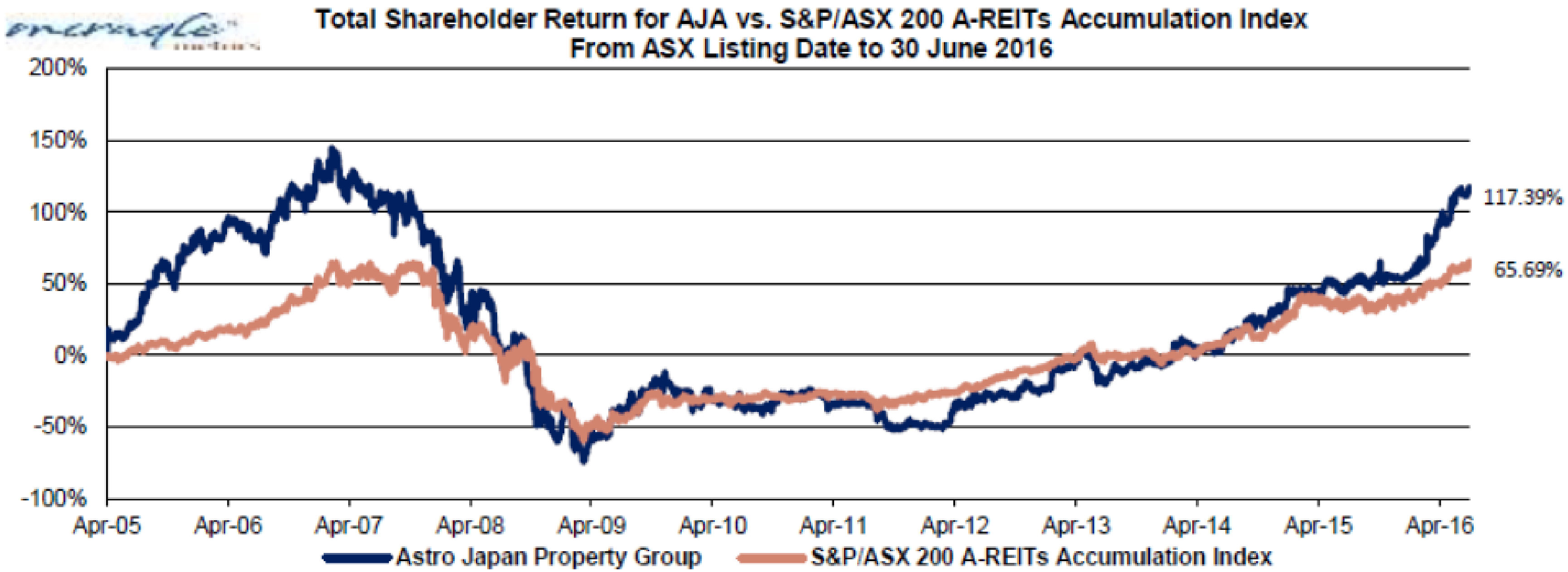
Please let me add a few words to the Chairman’s comments on the outlook for Astro. With debt re-financed on greatly improved and extended terms, we are now looking to manage our cash surplus to further increase returns. As I have already mentioned, we hold the equivalent of $44 million in free cash which we intend to deploy to further enhance our return on capital. Further acquisitions and dispositions remain under consideration, with acquisition focus being on longer-term cash flows from younger assets, such as the hotels we recently acquired. Dispositions will mainly seek to recycle capital from smaller non-strategic assets, such as the Sun No. 5 asset recently sold, to improve portfolio age, quality and long-term portfolio value.

With the economic picture in Japan being stable, with high hopes for additional momentum in the coming years before the 2020 Tokyo Olympics and with increasing signs that broad-based deflation in Japan may be at or close to an end, we will continue our efforts to maximise operating performance and to manage your capital prudently.

As with all ASX listed securities, we have seen some extremely challenging times over the past decade, however our structure and strategy has always concentrated on maximising security holder value over the medium- to long-term.

A recent report by specialised analysts Miracle Metrics calculated total returns on Australian real estate trusts since Astro’s IPO in 2005, and it is noteworthy that Astro has achieved a compound annual return of 7.14%, compared to the A-REIT Index return of 4.59% per annum over that same period. This is based on all distributions/dividends reinvested at the then prevailing market price and includes all capital raisings and buy-backs.

TOTAL SHAREHOLDER RETURN FOR AJA vs. S&P/ASX 200 A-REIT ACCUMULATION INDEX FROM ASX LISTING DATE TO 30 JUNE 2016



We are proud to have been able to achieve this performance and my thanks go out to all who have contributed both at Board and management level in Australia and in the asset management company, Spring Investment, in Japan, as well as to the security holders who have supported us through periods of extreme market scepticism.

We will be doing our best to continue producing similar performance.

Thank you once again for your ongoing support.