

## ASX/Media Release

19 September 2014

### **REFINANCE OF OVER 60% OF AJA DEBT WITH NEW 10 YEAR LOANS FOR JPT AND JPTC AND DISTRIBUTION GUIDANCE**

Astro Japan Property Group (ASX: AJA) today announces completion of the refinancing of the ¥12.8 billion senior loan to JPT Co., Ltd. (JPT) and the ¥15.8 billion senior loan to JPT Corporate Co., Ltd. (JPTC), representing approximately 61% of AJA debt, with two new 10 year senior loans. JPT and JPTC are special purpose, property owning Japanese companies (SPCs) through which AJA has invested in Japan.

JPT was refinanced with a new senior loan of ¥13.0 billion (A\$134.0 million, approx at A\$1=¥97), and JPTC was refinanced with a new senior loan of ¥16.2 billion (A\$167.0 million). A surplus of approximately ¥350m (A\$3.6 million) will remain after paying expenses and funding loan reserves.

The new lender, a major financial institution, has not previously lent to AJA's SPCs. Although both loans are from the same lender, there is no cross-collateralisation between the loans.

The refinancings feature:

- a large reduction in required annual debt amortisation payments, from a current 10.4 cents per security (cps) p.a. for the two SPCs to zero, increasing after three years (JPT) and five years (JPTC) to a maximum of 5.7 cps p.a. after 5 years, a level just over half the current level;
- interest margins in aggregate only slightly higher than those under the current loans, despite the fact that the 10 year loans replace five year loans;
- with 50% of each loan borrowed at a fixed, 10 year rate, the percentage of fixed rate debt across AJA's loan book increases from 26% (as at 30 June 2014) to 53%;
- an increase in the weighted average maturity of AJA's debt from 2.1 years to 6.9 years;
- flexibility to sell assets and/or refinance during the 10 year term, subject to some penalties in early years which, from the fifth year, reduce to zero; and
- in the case of JPT, the new loan is secured over only two of the seven properties held by JPT, which potentially allows for additional future financing of the remaining five properties, which have a combined book value of ¥6.3 billion as at 30 June 2014.

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#### **Astro Japan Property Group**

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Mr Eric Lucas, Senior Advisor to AJA, said “Over the past 12-24 months we have been constantly reviewing and negotiating refinance options and are very pleased to have been able to close loans on these terms following our efforts and the significant recent improvement in the Japanese debt markets.

The new loans achieve several objectives. As well as reducing the portion of AJA’s cash earnings that must be used for debt amortisation, releasing more cash earnings to increase distributions to securityholders, they enhance the long term stability of AJA by materially extending AJA’s debt maturity profile and locking in an attractive interest margin over a 10 year period. In addition, locking in current extremely low 10 year fixed rates for half of this new debt significantly reduces long-term interest rate risk.

As was foreshadowed in AJA’s full year results announced on 27 August 2014, the Japan Asset Manager continues to pursue improvements to the capital structures of a number of AJA’s SPCs.”

### **Key terms of the new JPT and JPTC financings**

A table showing key terms of the new JPT and JPTC financings compared to the key terms of the previous loans is set out in the Appendix.

### **Distribution Guidance**

Based upon the cash flow benefits from the refinancings, distribution guidance for FY15 is increased from 20 to 25 cents per security.

**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 31 retail, office and residential 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](http://www.astrojapanproperty.com).

## APPENDIX

### Comparison of key terms under the previous JPT loan and new financing

	Loan amount (¥ bn)	LTV covenant test	DSCR covenant test	Maturity	Current all-in interest rate	Debt Amortisation
<b>Previous loan</b>	12.8	79%	Over 1.28 times	September 2017	1.02%	¥ 176 m (2.7 cps) per annum (p.a.)
<b>New loan</b>	13.0	87%	Over 2.5 times (Years 1-3) Over 1.8 times (Years 4-10)	September 2024	¥6.5 b - 1.71% fixed ¥6.5 b - 1.16% floating*	Years 1-3 Nil Years 4-10 ¥130 m (2.0 cps) p.a.

### Comparison of key terms under the previous JPTC loan and new financing

	Loan amount (¥ bn)	LTV covenant test	DSCR covenant test	Maturity	Current all-in interest rate	Debt Amortisation
<b>Previous loan</b>	15.8	90%	Over 1.1 times	March 2016	1.13%	¥500 m (7.7 cps) p.a.
<b>New loan</b>	16.2	87%	Over 2.5 times (Years 1-5) Over 1.5 times (Years 6-10)	September 2024	¥8.1 b 1.71% fixed ¥8.1 b 1.16% floating*	Years 1-5 Nil Years 6-10 ¥243 m (3.7 cps) p.a.

\* Floating rate is based on 3 month JPY Tibor (currently 0.21%) plus 0.95% margin