

ASX/Media Release

19 December 2014

LOAN REFINANCING FOR JPTS - EXECUTION OF DOCUMENTS

Astro Japan Property Group (ASX: AJA) today announced execution of loan documents for the refinancing of the ¥7.915 billion (A\$82.4 million, approx at A\$1=¥96) senior loan to JPT Scarlett Co., Ltd. (JPTS), representing approximately 17.5% of AJA debt, with a new 5 year, ¥8.5 billion financing (A\$88.5 million).

JPTS is a special purpose, property-owning Japanese company (SPC) through which AJA has invested in Japan. JPTS currently holds 10 of AJA's properties.

The new financing is scheduled to be closed on 30 January 2015, the next interest payment date of the existing loan to JPTS. The new financing is on substantially more favourable terms than the current loan. The current JPTS loan is scheduled to mature in April 2015.

The new all-in interest rate, assuming the current 3 month Tibor rate of 0.18%, will be 1.41% p.a., compared with a current all-in interest rate of 3.94% p.a.

Additionally, the annual amortisation payment required under the financing will be 0.5% of the principal amount, or ¥43 million (A\$0.4 million, approx) initially, compared with the current loan's annual amortisation of ¥140 million (A\$1.5 million, approx).

Therefore, on a pro-forma annualised basis the impact of the new financing is an interest saving of about ¥192 million (A\$2.0 million, approx) or 3.0 cps. This, coupled with the reduction in loan-related amortisation, represents pro-forma annual improvements in cash flow of ¥290 million (A\$3.0 million, approx) or 4.5 cps and in earnings of ¥192 million (A\$2.0 million, approx) or 3.0 cps.

In addition, following the refinancing a surplus of approximately ¥255 million (A\$2.7 million, approx) will remain after paying expenses and funding loan reserves. Combined with the cash released from recent, previously announced asset sales, AJA expects to have at its disposal free cash following the closing of this refinancing in excess of A\$23.0 million, after reserving sufficient cash to pay the expected December 2014 half year distribution of 12.5 cps.

Current intentions are to use these funds to continue the current on-market buy-back program announced on 26 September 2014 and/or selective property investment. The ability to buy-back securities under the current program has however been very limited to date – with only 0.04% of AJA's securities acquired - due mainly to low volumes and legal restrictions on influencing market pricing.

Astro Japan Property Group

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Additional key points of the financing include:

- The loan will be secured by the existing 10 JPTS properties plus the Sapporo Co-op property that is currently held by another of AJA's SPCs, JPT Direct Co., Ltd. (JPTD). Sapporo Co-op will be transferred by JPTD into JPTS. JPTD is debt-free and thus Sapporo Co-op is at present not subject to security.
- Drawdown of the loan is subject to standard documentary and compliance conditions precedent, and therefore whilst drawdown cannot be assured, AJA's Japan Asset Manager, Spring Investment, believes that there is no reason to expect that these conditions cannot be satisfied, and therefore completion of the refinancing is expected to occur on 30 January 2015.
- Specifically, in consideration of payment of a commitment fee for the period between today's signing and closing at the end of January, the obligation to advance the loan is not subject to changes in market conditions.
- The financing will be provided by two Japanese lenders, one taking a senior and the other a junior position. Neither is related to the current lender.

Mr Eric Lucas, Senior Advisor to AJA, commented, "Following the recent refinancings of three of AJA's six SPCs (JPT, JPTC and JPTO), we are delighted to have agreed these greatly improved refinancing terms for JPTS, having worked hard to sell numerous assets over the past year to optimise the JPTS portfolio, which is still AJA's largest by number of assets. The 3.94% interest rate on the existing JPTS loan has for some time been by far the highest among all AJA SPC loans.

Even with the forecast improvement in earnings and cash flow from the JPTS financing, effective and timely deployment of AJA's cash balance will be an important factor over coming periods.

Asset sales since the start of FY15, especially the Mukomachi asset sale in September, have released most of this cash, however they have also resulted in annual pro-forma reductions in earnings of about 2.4 cps and in cash flow of about 0.7 cps."

Distribution Guidance

As the transaction is not expected to be completed until 30 January 2015, it will have no impact on the current half-year period, for which period an estimated distribution of 12.5 cps has already been announced.

Assuming successful completion of this refinancing on 30 January 2015, based upon the cash flow benefits from this refinancing which are expected to be realised from early in the second half of FY15, and taking into account AJA's current strong cash position, distribution guidance for the second half of FY15 is increased from 12.5 to 15 cps, increasing distribution guidance for FY15 from 25 to 27.5 cps.

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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 30 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.

APPENDIX

Comparison of key terms under the existing JPTS loan with the new financing

	Loan amount (¥ bn)	LTV covenant test	DSCR covenant test	Maturity	Current all-in interest rate	Debt Amortisation
Existing loan	7.9	n/a	Over 1.20 times 5.5% stress payment constant	April 2015	3.94%	¥140 m (2.2 cps) per annum (p.a.)
New financing	8.5	90%	Over 1.50 times 3.8% stress payment constant	January 2020	1.41% (¥6.9 bn floating rate and ¥1.6 bn fixed rate)	0.5% of loan principal p.a., currently ¥43 m (0.6 cps) p.a.