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as Responsible Entity for Galileo Japan Trust
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ASX / Media Release

GALILEO JAPAN TRUST - FY15 ANNUAL RESULTS

Please find attached a Galileo Japan Trust (ASX code: "GJT") announcement relating to GJT's annual financial results for the year ended 30 June 2015. This announcement should be read in conjunction with GJT's Financial Report for the year ended 30 June 2015.

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About Galileo Japan Trust

The Trust is listed on the Australian Securities Exchange with an indirect beneficial interest in a portfolio of 19 Japanese real estate investments valued at approximately ¥56.25 billion (approximately $661[1] million). The portfolio is diversified by both sector and geography while retaining a bias to Greater Tokyo.

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

[1] AUDJPY exchange rate ¥85.1 as at 26 August 2015.

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JAPAN TRUST

26 August 2015

GALILEO JAPAN TRUST - FY15 ANNUAL RESULTS

Galileo Japan Funds Management Limited ("***GJFML***" or "**the Responsible Entity**"), the responsible entity for the Galileo Japan Trust ("***GJT***" or "***Trust***"), today announced the Trust's annual results for the year ended 30 June 2015.

Key points relating to the FY15 annual results are summarised below:

- Funds from operations ("FFO")[2] of $15.0 million[3] (14.1 cpu) versus ("vs") $14.3 million (14.3 cpu) for the prior corresponding period ("pcp")
- FFO for the year adjusted for the "one-off" premium paid to refinance the Eurobonds is $20.0 million (18.8 cpu)
- Net property income ("NOI") for the year was 1.0% higher than pcp on a "like for like" basis
- Distribution of 14.9 cpu for the year ended 30 June 2015 which equates to a distribution yield of 8.9 % on the closing price of A$1.67 on 26 August 2015. The distribution will be 100% tax deferred
- The Japanese TK Business completed an early refinance of the Eurobonds in October 2014 resulting in:
    i. An annual interest expense saving of ¥273 million ($2.8 million)[3]
    ii. A reduction in the average "all in" cost of debt to 1.9% at 30 June 2015 (2.7% at 30 June 2014)
- Gearing (debt/total assets) was 54.9% at 30 June 2015 vs 56.4% at 30 June 2014
- Carrying value of the portfolio was ¥56.25 billion ($599 million)[4] as at 30 June 2015, an increase of 1.5% over pcp on a "like for like" basis
- Net asset value ("NAV") of $241.0 million ($2.29 per unit), 4.6% higher than 30 June 2014 ($2.19 per unit). Restated to reflect the AUDJPY rate as at 26 August 2015 the NAV is $2.53 per unit[5]
- The Japanese TK Business sold two assets during the year, Lions Square, Tokyo and Doshoumachi, Osaka. The aggregate gross sales proceeds of ¥3.18 billion represented an average premium to book value of 27%
- GJFML completed an on-market buy-back of GJT units on 25 June 2015. 1,059,250 units were acquired at an average price of $1.79, a 22% discount to NAV as at 30 June 2015
- Portfolio occupancy as at 30 June 2015 was 96.0%. (98.8% at 30 June 2014). The reduction in portfolio occupancy as at 30 June 2015 primarily relates to Tesco vacating Funabashi Hi Tech in October 2014

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[2] FFO represents net profit attributable to unitholders adjusted for unrealised gains and losses and amortisation expense

[3] Average AUDJPY rate of ¥95.55 for the year ended 30 June 2015

[4] AUDJPY spot rate of ¥93.92 at 30 June 2015

[5] AUDJPY exchange rate of ¥85.1 as at 26 August 2015

Financial Performance

FFO of $15.0 million for 30 June 2015, vs pcp of $14.3 million. However, FY15 FFO includes the $5.0 million premium paid for the early refinance of the Eurobonds. Adjusting for this one-off item the FFO for the year ended 30 June 2015 was $20.0 million.

Two assets were sold during the year which provided working capital to allow the early refinance of the Eurobonds and an on-market unit buy-back. The buy-back was completed on 25 June 2015 with 1,059,250 units acquired at an average price of $1.79.

Chief Operating Officer, Mr Peter Murphy said, "FY15 has been a very positive year for the Trust with several key initiatives successfully implemented. These included two non-core asset sales at a premium, the early refinance of the Eurobonds resulting in a material reduction in the overall cost of borrowings and the completion of an on-market buy-back of GJT units at a 22% discount to 30 June 2015 net asset value."

Balance Sheet

GJT's NAV at 30 June 2015 was $2.29 per unit vs $2.19 per unit at 30 June 2014. The increase in NAV compared to 30 June 2014 is due to an increase in the value of the investment properties and the stronger JPY as at 30 June 2015.

GJT's gearing (debt/total assets) was 54.9% at 30 June 2015, lower than 30 June 2014 (56.4%) due to the property revaluation uplift and asset sales. The Japanese TK Business has two sources of debt, being a senior loan and mezzanine loan facilities. Neither facility has a loan to value covenant test. The senior loan has a Debt Service Coverage Ratio ("DSCR") covenant test of 1.9x assuming a fixed interest cost of 4.5%. The actual DSCR for the June 2015 quarter calculated on this basis was 2.3x (June 2014 quarter 2.3x).

Property Revaluations

Portfolio value was ¥56.25 billion at 30 June 2015, an increase of 1.5% vs 30 June 2014 (¥55.4 billion), excluding assets sold during the year. Independent valuations for thirteen properties (seven at 30 June 2015), representing approximately 72% of the portfolio by value, were completed in FY15. The independent appraisals completed represent a value of ¥40.3 billion at 30 June 2015, 1.6% higher than the 30 June 2014 book value.

Directors' valuations were completed on all properties not independently valued as at 30 June 2015. As a result, Suroy Mall Nagamine was valued at ¥4.18 billion representing a 5.1% increase in value over 30 June 2014, the increase in value reflecting a firming in capitalisation rates for assets located outside of Greater Tokyo.

The weighted average capitalisation rate for the current portfolio was 5.8% at 30 June 2015 compared to 5.9% at 30 June 2014. Since December 2011, average capitalisation rates for the portfolio have continued to firm on a "like for like" basis having reduced from 6.2% to 5.8%.

Portfolio Performance

At 30 June 2015 portfolio occupancy was 96.0% (98.8% at June 2014). The reduction in portfolio occupancy as at 30 June 2015 primarily relates to Tesco vacating Funabashi Hi Tech in October 2014. This tenant represented 2.1% of portfolio net rentable area and 1.5% of net operating income. Portfolio occupancy has averaged 97.6% since GJT listed in December 2006.

A leasing campaign to secure a new tenant is underway at Funabashi Hi Tech and the Japanese asset manager, Galileo Japan KK, expects to lease the premises during FY16.

Upward rent revisions have been negotiated on approximately 13.5% of the office portfolio's net rentable area in FY15 with the average increase being 13.4%. Most of these increases are effective from the second half of FY15 or FY16.

Portfolio net property income was 1.0% higher than pcp on a "like for like" basis.

The proportion of the portfolio represented by "non-cancellable" leases is currently 38% (by income)[6] with the weighted average lease term to maturity on these leases being approximately 10.2 years[7]. The balance of the portfolio (62% by income) is subject to standard Japanese leases which can be terminated with six months' notice.

Asset sales

The Japanese TK Business sold two assets during the year, Lions Square, Tokyo and Doshoumachi, Osaka. The aggregate sales proceeds of ¥3.18 billion represent an average premium to book value of 27%. The net cash proceeds from the sale of Lions Square were applied to the early refinance of the Eurobonds.

GJT on-market buy-back

GJFML completed an on-market buy-back of GJT units on 25 June 2015. 1,059,250 units were acquired at an average price of $1.79, a 22% discount to NAV as at 30 June 2015. The buy-back was funded with the net proceeds released from the sale of Doshoumachi, Osaka.

Outlook

The Trust and the Japanese TK Business now benefit from reduced gearing, significantly lower average cost of debt and a stable capital structure.

Japanese real estate market fundamentals are generally trending positively, lending conditions are favourable and transactional activity has been rising steadily since late 2012.

In Japanese yen terms the Trust is expected to generate FFO in FY16 of approximately ¥1.80 billion, subject to no material changes in trading conditions. After adjusting for maintenance capital expenditure, funds available for distribution in FY16 are expected to be approximately ¥1.61 billion. This is consistent with FY15 after adjusting for asset sales, the refinancing in October 2014 and the penalty payment received at Funabashi Hi Tech.

GJT has entered into two forward foreign exchange contracts relating to its estimated distribution for the half year ending 31 December 2015 at an average exchange rate of A$1= ¥87.59.

Based on the above estimate of FFO for FY16 and the foreign exchange contracts in place, GJFML estimates the distribution for the half year ending 31 December 2015 should be 8.7 cents per unit, an increase of 6.1% over the half year distribution per unit to be paid on 28 August 2015 (8.2 cpu).

The Trust has no foreign currency hedges in place other than those outlined above and GJFML cautions investors that it's A$ earnings and distributions will continue to be sensitive to changes in the AUDJPY exchange rate.

ENDS

[6] 37% at 30 June 2014

[7] 10.9 years at 30 June 2014