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29 February 2016

## **ASX / Media Release**

### **GALILEO JAPAN TRUST PROPOSED SALE OF THE JAPANESE PROPERTY PORTFOLIO AND RETURN OF NET PROCEEDS TO GJT UNITHOLDERS (PROPOSAL)**

Please find attached a Galileo Japan Trust (ASX code: GJT) announcement.

#### **Investor and media enquiries:**

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Chief Operating Officer  
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#### **About Galileo Japan Trust**

The Trust is listed on the Australian Securities Exchange with an indirect interest in a portfolio of 19 Japanese real estate investments valued at approximately ¥56.55 billion as at 31 December 2015 (approximately A\$690 million)<sup>1</sup>. The portfolio is diversified with a geographical bias to greater Tokyo, where 11 properties are located, and a sector bias to office and retail.

Further information on Galileo Japan Trust is available at [www.galileofunds.com.au](http://www.galileofunds.com.au)

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<sup>1</sup> Based on the prevailing AUD/JPY on 26 February 2016 (being the last business day before the announcement of the Proposal) of \$1=¥82.

29 February 2016

## ASX / MEDIA RELEASE

### PROPOSED SALE OF THE JAPANESE PROPERTY PORTFOLIO AND RETURN OF NET PROCEEDS TO GJT UNITHOLDERS (PROPOSAL)

Galileo Japan Funds Management Limited (**GJFML**) as the responsible entity of Galileo Japan Trust (**GJT** or **Trust**), today announced the proposed sale of the 19 Japanese real estate properties (**Japanese Property Portfolio**) in which GJT has an indirect interest for approximately ¥57.8<sup>2</sup> billion (**Proposed Sale**).

The key elements of the Proposal are as follows:

- The proposed sale of the Japanese Property Portfolio for ¥57.8 billion which represents a 2.2% premium to the independent valuation of the portfolio held by the TK Business as at 31 December 2015 via:
  - a. The sale by GJKK of 18 of the 19 properties (**IPO Portfolio**) for ¥57.4 billion, which is conditional on a successful capital raising and listing of the proposed purchaser (J-REIT) on the Tokyo Stock Exchange (**Japanese IPO**). The current timetable for the proposal anticipates the Japanese IPO occurring in August 2016
  - b. The sale by GJKK of Prejeal Utsubo separately at its current “as is” independent valuation of ¥452 million. Prejeal Utsubo represents less than 1% of the value of the Japanese Property Portfolio. The asset has been excluded from the IPO Portfolio as a result of the due diligence process identifying a structural deficiency making it unsuitable for the Japanese IPO without rectification. This property is being marketed for sale “as is” and is expected to be sold prior to the completion of the Japanese IPO. If not sold prior to the Japanese IPO, the intention is that it will be sold on completion of the rectification works.
- The asset manager for the proposed purchaser of the IPO Portfolio will be a Japanese incorporated asset management company jointly owned by Galaxy (a Galileo/Neil Werrett related entity) and a TSE listed entity<sup>3</sup> whose core business is real estate related services.

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<sup>2</sup> Assumes Prejeal Utsubo is sold for ¥452m (independent valuation as at 31 December 2015)

<sup>3</sup> The TSE listed entity cannot be identified at this point in time as to do so, may breach Article 4 of the Japanese Financial Instruments and Exchange Law

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- The Proposal, if completed, is expected to result in the payment of special distributions to unitholders which are estimated to be \$2.65<sup>4</sup> per unit in total. This would represent a:
    - a. 28.6% premium to the last closing price of GJT Units prior to the announcement date;
    - b. 32.7% premium to the one month VWAP of GJT Units up to and including 26 February 2016 (being the last trading day prior to the announcement date);
    - c. 37.0% premium to the three month VWAP of GJT Units up to and including 26 February 2016 (being the last trading day prior to the announcement date); and
    - d. 76.7% premium to the October 2013 recapitalisation new unit issue price of \$1.50

Given that Mr Neil Werrett and Mr Peter Murphy have a direct involvement in the new Japanese asset management company, they are considered conflicted in relation to the Proposed Sale. To ensure that decisions and recommendations in relation to the Proposal are made independently, the Directors who have no conflict have formed a committee of independent Directors (**IDC**) to consider and negotiate all elements of the Proposal on behalf of, and make recommendations to, GJT Unitholders.

The IDC is comprised of the independent Directors of GJFML being Mr Jack Ritch as Chairman, Mr Frank Zipfinger and Mr Philip Redmond. The IDC has engaged Greenwich Legal as legal advisor, Moelis & Company as financial advisor and Deloitte Corporate Finance as independent expert to advise the IDC and consider the transaction on behalf of the Trust in accordance with agreed protocols.

Commenting on the Proposal, Mr Ritch said, “The independent Directors are very pleased to put this Proposal to GJT Unitholders. If successful, it will deliver an attractive exit for GJT Unitholders at a substantial premium to the Trust’s trading price and realise the value gap between GJT’s unit price and NTA. The Proposal is, in that respect, entirely consistent with both GJFML’s and Galileo Japan KK’s (**GJJK**) stated objectives at the time of the October 2013 recapitalisation”.

Mr Ritch added, “GJFML and GJJK have explored a broad range of options for GJT Unitholders and this particular option has been assessed as most likely to deliver the best outcome for GJT Unitholders. Given its reliance, amongst other conditions, on a Japanese IPO, the proposal is not without risk. However, the IDC is unanimous in its view the Proposal is one that GJT Unitholders should support absent a superior proposal”.

The independent expert, Deloitte Corporate Finance, has concluded that in its opinion the proposal described in the Notice of Meeting is fair and reasonable and in the best interests of the non-associated Unitholders of GJT.

For further information in relation to the Proposal please refer to the presentation titled “Proposed sale of the Japanese property portfolio and return of net proceeds to Unitholders” and the “Notice of Meeting and Explanatory Memorandum” dated 29 February 2016 and released to the ASX today.

**ENDS**

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<sup>4</sup> Based on the prevailing AUD/JPY on 26 February 2016 (being the last business day before the announcement of the Proposal) of \$1=¥82.