



galileo  
JAPAN TRUST

# NOTICE OF MEETING & EXPLANATORY MEMORANDUM

## **YOUR VOTE IS IMPORTANT**

The Committee of independent Directors recommends that you **VOTE IN FAVOUR** of Resolutions 1 & 2.

Issued by Galileo Japan Funds Management Limited  
(ABN 59 121 567 244, AFSL No. 305 429)

as responsible entity for the Galileo Japan Trust  
(ARSN 122 465 990)

The meeting of Unitholders will be held at:

Place: Sydney Harbour Marriott Hotel at Circular Quay, 30 Pitt Street Sydney NSW

Date: Wednesday 2 October 2013

Time: 10:00am (AEST)

# Important Notices

## GENERAL

The Explanatory Memorandum has been prepared to assist Unitholders in determining whether or not to vote in favour of the Resolutions set out in the Notice of Meeting (**Notice**).

Unless otherwise defined, capitalised terms used in the Notice and Explanatory Memorandum have the meaning set out in the Glossary.

You should read the Notice and Explanatory Memorandum carefully before making a decision on how to vote on the Resolutions.

The Committee believes that it is in the best interests of GJT that both of the Resolutions set out in the Notice be passed, and unanimously recommend that you vote in favour of each Resolution.

In the Notice and Explanatory Memorandum, unless the context requires otherwise, "pro forma" means that the applicable historical or forecast financial information gives effect to the Proposal and any other adjustments described in that financial information.

You should note that the earnings per Unit (EPU) and distribution per Unit (DPU) contained in the FY2014 Pro forma forecast Consolidated Income Statement (refer to Schedule 1 to the Explanatory Memorandum) are based on Pro Forma annual results, meaning that they assume implementation of the Proposal as at 1 July 2013. Accordingly, you should note that actual FY2014 EPU and DPU (if any) will vary from those targeted in the FY2014 Pro forma forecast Consolidated Income Statement given, among other things, the Proposal will complete part way through FY2014.

All financial and operational information contained in the Notice and Explanatory Memorandum is stated as at the date of the Notice and Explanatory Memorandum, unless otherwise specified.

A reference to AUD, \$, Australian dollars or cents in the Notice and Explanatory Memorandum is to Australian currency unless otherwise indicated. The abbreviations "\$m" represent millions of Australian dollars. A reference to JPY, ¥ or Japanese yen in the Notice and Explanatory Memorandum is to Japanese currency.

All amounts expressed in Japanese yen in this Explanatory Memorandum have been converted into an amount of Australian dollars assuming an AUD/JPY exchange rate of \$1=¥88 unless otherwise specified.

The financial information presented in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, in a number of tables in this document the sum of the numbers in a column may not conform exactly to the total figure for that column. In addition, certain percentages or conversions presented in this document reflect calculations based upon the underlying information prior to rounding and accordingly, may not conform exactly to the percentages or conversions that would be derived if the relevant calculations were based upon the rounded numbers.

All references to time in this Explanatory Memorandum and Notice are references to Australian Eastern Standard Time (AEST), unless otherwise specified.

## PURPOSE OF THE EXPLANATORY MEMORANDUM

The purpose of the Explanatory Memorandum is to:

- explain the terms and effect of the Proposal and the Resolutions described in the Notice to Unitholders;
- state any material personal interests of the Directors in the Proposal; and
- provide such information known to the Directors as is prescribed by the Corporations Act, the regulations to that Act, the Listing Rules and ASIC policy or as is otherwise material to the decisions of Unitholders whether to approve the Resolutions described in the Notice.

## ASX

A copy of the Notice and Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

## PREPARATION OF NOTICE AND EXPLANATORY MEMORANDUM

All sections of the Notice and Explanatory Memorandum have been prepared by Galileo Japan Funds Management Limited as responsible entity of the Galileo Japan Trust and it makes all statements, representations and undertakings in the Notice and Explanatory Memorandum.

## INVESTMENT DECISIONS

The information contained in the Notice and Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your investment objectives, financial situation, taxation position and particular needs. If you are in doubt in relation to these matters, you should consult your financial, legal, taxation or other professional adviser immediately.

The Notice and Explanatory Memorandum contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in the Notice and Explanatory Memorandum reflect views only as at the date of the Notice and Explanatory Memorandum, and generally may be identified by the use of forward-looking words, such as "believe", "expect", "anticipate", "intending", "likely", "should", "may", "estimate" or "potential", or other similar words. Similarly, statements that describe GJFML's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in the Notice and Explanatory Memorandum about the impact that the implementation or non-implementation of the Proposal may have on the results or operations of GJT and the advantages and disadvantages anticipated to result from the Proposal, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

The operations and financial performance of GJT are subject to various risks, including those risks summarised in the Section entitled "Key risks" of the Investor Presentation lodged with ASX on 9 September 2013 (**Investor Presentation**), the Explanatory Memorandum and the documentation

which accompanies it. The historical financial performance of GJT is no assurance of the future financial performance of GJT (whether the Resolutions are approved or not). Those risks and uncertainties include factors and risks specific to the industry in which GJT operates as well as general economic conditions, prevailing exchange rates, interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of GJT following the Proposal, as well as its actual advantages or disadvantages, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved or arise.

Those risk factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have a material adverse effect on the future results of GJT.

None of GJFML, its Directors, its officers, any persons named in this Explanatory Memorandum with their consent or any persons involved in the preparation of the Notice and Explanatory Memorandum, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed, projected or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

All subsequent written and oral forward-looking statements attributable to GJFML or any person acting on its behalf are qualified by this notice. Subject to any continuing obligations under relevant laws or the ASX Listing Rules, GJFML does not give any undertaking to update or revise any such statements after the date of the Notice and Explanatory Memorandum, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## ELECTRONIC DOCUMENTS

Unitholders can obtain a copy of the Notice and Explanatory Memorandum and the Investor Presentation online (free of charge) via GJT's website at <http://www.galileofunds.com.au/Japan/> or via ASX's website at [www.asx.com.au](http://www.asx.com.au) (Code: GJT) or by calling Link Market Services Limited on +61 1800 709 446 (free call within Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday. If you access the electronic version of the Notice and Explanatory Memorandum and Investor Presentation, you should ensure that you download and read the entire document.

## ENQUIRIES

If you have any questions in relation to the Proposal, please contact your stockbroker, accountant, lawyer or other professional adviser or call the Galileo Japan Trust Proposal Information Line on +61 1800 709 446 (free call within Australia) between 8:30am and 5:00pm (AEST) Monday to Friday between 9 September 2013 and 2 October 2013.

## PHOTOGRAPHS

The assets depicted in the cover image are not assets in which the Trust has an interest.

# Letter from the Chairman

Dear Unitholder,

On behalf of the Committee of independent Directors (**Committee**) of Galileo Japan Funds Management Limited (**GJFML**) as the responsible entity of the Galileo Japan Trust (**GJT** or the **Trust**), I am pleased to invite you to attend an extraordinary general meeting of Unitholders to be held on Wednesday, 2 October 2013 at 10:00am (AEST) at the Sydney Harbour Marriott Hotel at Circular Quay, 30 Pitt Street Sydney (**Meeting**). The Meeting is to consider a comprehensive recapitalisation of the Trust in order to stabilise its capital structure and allow for the reinstatement of distributions, as further described below (**Proposal**).

## Rationale for Proposal

GJT's current capital structure is unsustainable and there are several significant refinancing events in 2014. These comprise the ¥36.45 billion (\$414.1 million) Senior Loan maturing in March 2014, as well as ¥8.35 billion (\$94.9 million) of Mezzanine Eurobonds and the ¥4.0 billion (\$45.5 million) FX Loan maturing in September 2014.

Accordingly, the Committee believes that GJFML must take decisive action to stabilise the Trust's capital structure. The Committee has considered a range of possible alternatives to the Proposal, including:

- continuing the asset sale program introduced in September 2009;
- the potential sale of the Japanese Property Portfolio and a winding up of GJT; and
- refinancing upcoming maturities.

As these initiatives have progressed, so has the uncertainty about preserving equity value for Unitholders in the context of the upcoming debt maturities. The GJT Group's current gearing of over 80% heightens its balance sheet volatility and its sensitivity to the value of its property portfolio. For example, if the GJT Group realised a sale value of ¥53.0 billion (\$602.3 million) (7.7% discount to the current book value) for its property portfolio, no equity would remain for existing Unitholders<sup>1</sup>.

Against this background, the Committee has taken the view that the Proposal is preferable to those alternatives by offering a lower execution risk and preserving value for existing Unitholders. The decision to proceed with the Proposal was determined by the Committee to be in the best interests of all Unitholders.

The Proposal offers a comprehensive solution for GJT and has been designed to reduce gearing to sustainable levels while re-positioning the Trust as an attractive investment proposition. Following completion of the Proposal, the gearing of the Trust will be reduced from approximately 81.9% to approximately 58.2 %<sup>2</sup>.

The Existing Financiers, being the Senior Loan lender, Mezzanine and Convertible Eurobonds holder and Galileo Finance, all support the Proposal and have provided terms and certain concessions specific to this Proposal to assist with its prospects of success. There is no certainty that these terms or concessions will be made available to the GJT Group should the Proposal not proceed.

## Proposal

The Proposal, which is subject to Unitholder approval, comprises the following three key elements:

### Offer

- GJFML, as responsible entity for GJT, is intending to raise approximately \$153.0 million (and up to \$179.1 million) by way of a placement to Institutional Investors at \$1.50 per New Unit (the **Offer Price**) (the **Institutional Placement**).
- GJFML, in its personal capacity, will participate in the Institutional Placement through the investment of \$5.0 million at the same Offer Price (the **Related Party Placement Component**), to facilitate the reinvestment of moneys proposed to be repaid under the outstanding FX Loan with Galileo Finance.

The Institutional Placement, including the Related Party Placement Component, is also referred to as the **Offer**.

The Offer is subject to the approval of Unitholders, as described in the accompanying Notice and Explanatory Memorandum. The Institutional Bookbuild for the Offer is expected to be conducted on or before the second business day after the Meeting to approve the Proposal. If Unitholder approval is received for the Proposal and the Institutional Bookbuild is successful, settlement of the Offer will then be underwritten by Macquarie Capital (Australia) Limited and Moelis Australia Advisory Pty Ltd (the **Joint Lead Managers**).

1. Assumes no discount on repayment of the FX Loan and Convertible Eurobonds.  
2. Total interest bearing liabilities to total assets.



The actual amount raised under the Institutional Placement will vary depending on the AUD/JPY exchange rate on the later of the date of Unitholder approval and completion of the Institutional Bookbuild for the Offer (which is expected to occur on or before the second business day after the Meeting) (**Offer Effective Date**). Refer to Section 2.9 of the Explanatory Memorandum for foreign currency exchange rate sensitivities on the size of the Offer.

## Issue of New Eurobonds

A new offshore noteholder will subscribe for and the TK Business will issue new eurobonds (**New Eurobonds**) with a par value of ¥6.12 billion (\$69.6 million) at an issue price of ¥6.0 billion (\$68.2 million). The New Eurobonds will have a fixed interest rate of 8% per annum on the par value for the 7 year term of the bonds.

## Refinancing of Senior Loan

As part of the Proposal, a principal repayment of ¥6.45 billion (\$73.3 million), including accrued interest thereon, will be made to the senior lender and the Senior Loan will be refinanced on more favourable terms, extending the maturity date from March 2014 to October 2018, reducing the interest margin from 1.75% to 1.25% and eliminating principal amortisation.

The Offer, issue of New Eurobonds and refinancing of the Senior Loan are together referred to as the **Proposal**.

The following key outcomes are expected following completion of the Proposal:

### Simplification of capital structure

- The majority of the proceeds of the Offer and New Eurobonds will be used to:
  - refinance the Senior Loan as described above;
  - fully repay the holder of the existing Mezzanine Eurobonds;
  - fully repay the holder of the Convertible Eurobonds; and
  - fully repay the FX Loan at a discount to par of 68.1%.
- Accordingly following completion of the Proposal, the refinanced Senior Loan and the New Eurobonds will be the only remaining interest bearing liabilities in the GJT Group's capital structure, such that:
  - material near-term debt maturities are removed;
  - a sustainable capital structure will be established with a weighted average debt maturity of 5.3 years; and
  - there will be no LTV covenants and no principal amortisation.

### Reinstatement of distributions<sup>3</sup>

- If the Proposal proceeds, GJFML intends to pay a Trust distribution for the period from the date of allotment of the New Units to 31 December 2013. Going forward, distributions are expected to be made for the six month periods ending 30 June and 31 December each year.
- It is expected that targeted Pro Forma forecast earnings and distribution yields for the financial year ending 30 June 2014 will be as detailed in the FY2014 Pro forma forecast Consolidated Income Statement, being:
  - EPU yield of 11.0%; and
  - DPU yield of 10.0%,

based on the Offer Price of \$1.50, completion of the Proposal and assuming a constant exchange rate of \$1=¥88. Assuming an allotment date of 9 October 2013, the distribution per Unit for the year ending 30 June 2014 is expected to be 10.9 cents per Unit, which equates to an annualised DPU yield of 10.0%.

- Schedule 1 to this Explanatory Memorandum contains the FY2014 Pro forma forecast Consolidated Income Statement upon which this distribution guidance is based.

3. Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the forecasts in the FY2014 Pro forma forecast Consolidated Income Statement are to be expected. There is no guarantee that Unitholders will receive distributions following implementation of the Proposal. The financial information should be read in conjunction with GJT's accounting policies and the key risks outlined in the Investor Presentation and this Notice and Explanatory Memorandum. Investors are cautioned not to place undue reliance on the financial forecast information and should note that actual FY2014 earnings and distribution yields will vary from those targeted in the FY2014 Pro forma forecast Consolidated Income Statement given, among other things, the Proposal will complete part way through FY2014.

Notwithstanding approval of the Resolutions by Unitholders, in certain circumstances the Proposal may not proceed, including if the Institutional Bookbuild for the Offer is unsuccessful. Refer to Section 2.1 of the Explanatory Memorandum for further details.

## Impact on GJT if the Proposal does not proceed

If the Proposal does not proceed, there would be material uncertainty casting significant doubt on GJT's ability to continue as a going concern, and in particular that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In addition, approximately \$2.8 million in costs have been incurred by GJFML to bring about the Proposal, and are payable irrespective of whether the Proposal proceeds. A portion of these costs is the payment of a non-refundable commitment fee (¥50 million (\$0.6 million)) payable by the TK Business to the offshore noteholder of the New Eurobonds. The balance is for the payment of advisory fees in Australia and Japan. Please refer to section 5.2 of the Explanatory Memorandum for further details.

## Recommendation

Details of the Resolutions are provided in the Notice and Explanatory Memorandum accompanying this letter. The Notice and Explanatory Memorandum contain important information about the Proposal, including details of, and reasons for, the Proposal.

### **YOUR VOTE IS IMPORTANT**

**The Committee of independent Directors supports the Proposal and unanimously recommends that you vote in favour of the Resolutions**

Please note that the Proposal is subject to the passing of both Resolutions 1 and 2.

If you are not attending the Meeting, you may appoint one or two proxies to attend and vote for you. The proxy form accompanies the Notice of Meeting and includes instructions on how to vote and appoint a proxy.

If you have any questions in relation to the Proposal, the Notice or the Explanatory Memorandum, please contact your stockbroker, accountant, lawyer or other professional adviser or call the Galileo Japan Trust Proposal Information Line on +61 1800 709 446 (free call within Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday.

I look forward to seeing you on Wednesday, 2 October 2013 at 10:00am (AEST).

Yours faithfully



**Jack Ritch**  
Non-executive Chairman  
Galileo Japan Funds Management Limited

# Notice of Meeting

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Notice is hereby given by Galileo Japan Funds Management Limited (GJFML) as responsible entity for Galileo Japan Trust that a meeting of Unitholders (**Meeting**) will be held on **Wednesday, 2 October 2013** at:

Place: Sydney Harbour Marriott Hotel at Circular Quay (30 Pitt Street Sydney NSW)

Time: 9:30am (AEST) - registration

10:00am (AEST) - meeting commences

In accordance with Section 252S(1) of the Corporations Act, GJFML has appointed Mr Jack Ritch to act as Chairman.

## Business of the Meeting

### Resolution 1 - Approval of Institutional Placement

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, subject to Resolution 2 being passed, approval is given for the purposes of ASX Listing Rule 7.1 and for all other purposes, for the issue of up to 119,400,000 New Units to Institutional Investors at an issue price of \$1.50 per New Unit under the Institutional Placement substantially on the terms described in the Explanatory Memorandum, including as regards the fees described in Section 5.9 of the Explanatory Memorandum."*

### Voting Exclusion Statement:

Under ASX Listing Rule 14.11, the Responsible Entity will disregard any votes cast on Resolution 1 by:

- a person who may participate in the proposed issue;
- a person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary securities) if Resolution 1 is passed; and
- an associate of that person (or persons).

However, the Responsible Entity need not disregard a vote if:

- it is cast by a person as a proxy for a member who is entitled to vote, in accordance with the directions on the proxy appointment form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

*Stratford Sun Ltd v OM Holdings Ltd (ARBN 081 028 337)(No 5)*<sup>4</sup> provides guidance as regards the interpretation of the meaning of "a person who may participate in the proposed issue" in the voting exclusion statement required by Listing Rule 14.11. In particular it held that if, by the time of the meeting, the allottees are known and identified their votes will be excluded. However, where participation is a mere possibility, that possibility is not sufficient to exclude that person from voting.

### Resolution 2 - Approval of Placement to GJFML

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, subject to Resolution 1 being passed, approval is given for the purposes of ASX Listing Rule 10.11 and for all other purposes, for the issue of 3,333,333 New Units at an issue price of \$1.50 per New Unit, to GJFML, being a related party of GJT, substantially on the terms of the Related Party Placement Component described in the Explanatory Memorandum."*

### Voting Exclusion Statement:

Under ASX Listing Rule 14.11, the Responsible Entity will disregard any votes cast on Resolution 2 by:

- a person who is to receive securities in relation to GJT (including GJFML); and
- a person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary securities) if Resolution 2 is passed; and
- an associate of that person (or those persons).

4. [2011] FCA 1275.

However, the Responsible Entity need not disregard a vote if:

- it is cast by a person as a proxy for a member who is entitled to vote, in accordance with the directions on the proxy appointment form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates<sup>5</sup> are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member.

Please refer to the accompanying Explanatory Memorandum, which forms part of this Notice, for more information on the proposed Resolutions.

By order of the Committee on behalf of Galileo Japan Funds Management Limited as responsible entity for Galileo Japan Trust.



**Jack Ritch**

Non-executive Chairman

Galileo Japan Funds Management Limited

9 September 2013

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5. Associate is defined in Section 12 of the Corporations Act.

# Information for Unitholders

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined, capitalised terms used in this Notice have the meaning set out in the Glossary.

## Quorum requirements

The quorum requirement for the Meeting is at least two Unitholders present in person or by attorney, representative or proxy. If a quorum is not present within 30 minutes after the scheduled time for the Meeting, the Meeting will be adjourned as GJFML directs.

## Eligibility to vote

For the purposes of determining the entitlement to vote at the Meeting, Units will be taken to be held by those persons registered as holders at 7.00pm on 30 September 2013 (Sydney time). Transactions registered after that time will be disregarded in determining Unitholders' entitlements to attend and vote at the Meeting. Voting exclusions are referred to below.

## Voting

The Chairman intends to conduct the voting on the Resolutions on a show of hands.

If a poll is effectively demanded, as prescribed by Section 253C of the Corporations Act, each Unitholder has one vote for each dollar of the value of the Units held by the Unitholder. Each person present as proxy, attorney or representative of a Unitholder has one vote for each dollar of the value of the Units held by the Unitholder that person represents. Unit value is equal to the last sale price of Units on ASX on the last trading day before the Meeting. On a poll, you need not exercise all of your votes in the same way, nor cast all of your votes.

## Jointly held Units

If your Units are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Meeting, only the vote of the person named first in the register counts.

## Individuals

If you plan to attend the Meeting, we ask you to arrive at the venue at least 30 minutes prior to the time designated for the Meeting so that we may check your Units against the register of Unitholders and note your attendance.

## Corporations

In order to vote at the Meeting, a corporation that is a Unitholder may appoint a proxy or may appoint a person to act as its representative. The appointment of a representative must comply with Section 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment including any authority under which it is signed.

## Voting exclusions applying to Responsible Entity and associates

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member.



## Appointing a proxy

If you are entitled to attend and vote at the Meeting but cannot attend, you can appoint a proxy to attend and vote on your behalf. A proxy is entitled to vote on a show of hands. You may nominate one or two persons to vote on your behalf at the Meeting. A proxy need not be a Unitholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

To ensure that all Unitholders can exercise their right to vote on the proposed Resolutions, a proxy form is enclosed. The proxy form tells you what you need to do to lodge a valid proxy.

A proxy form may be returned in the reply paid envelope provided. Alternatively, you may deliver your completed proxy form:

**by mail** Link Market Services  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

**by fax** +61 2 9287 0309

**online** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**by hand** delivering it to Link Market Services Limited, 1A Homebush Drive, Rhodes NSW 2138

The completed proxy form (and, if a proxy form is signed by a Unitholder's attorney, the authority under which the proxy form was signed or a certified copy of the authority) must be received no later than 48 hours before the Meeting, failing which the proxy form will be disregarded for the purpose of the Meeting.

## How the Chairman will vote undirected proxies

GJFML encourages all Unitholders who submit proxies to direct their proxy how to vote on each Resolution. If the proxies are not directed, the Chairman intends to vote them **IN FAVOUR OF** Resolutions 1 and 2.

## Enquiries

If you have any questions about the Resolutions, attending the Meeting, how to vote or the Proxy Forms, please contact the Galileo Japan Trust Proposal Information Line on +61 1800 709 446 (free call within Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday) or consult your financial or other professional adviser.

# Explanatory Memorandum

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This Explanatory Memorandum has been considered and approved by the Committee for the information of Unitholders in relation to the business to be conducted at the Meeting to be held commencing at 10:00am (AEST) on Wednesday, 2 October 2013 at the Sydney Harbour Marriott Hotel at Circular Quay, 30 Pitt Street Sydney NSW.

The Committee recommends that Unitholders read this Explanatory Memorandum before determining whether to vote for or against or abstain from voting on the Resolutions. The purpose of this Explanatory Memorandum is to provide Unitholders with information that is reasonably required by Unitholders to decide how to vote on the Resolutions.

## 1. Background to Proposal

GJT has an indirect and passive interest in a portfolio of 21 Japanese real estate properties valued at ¥57.38 billion (approximately \$652.0 million)<sup>1</sup> as at 30 June 2013 (**Japanese Property Portfolio**). The portfolio is diversified, but has a geographical bias towards Greater Tokyo where 11 properties are located, and a sector bias towards office and retail properties.

The Japanese Property Portfolio has delivered relatively stable revenues and maintained a high occupancy rate since the listing of the Trust in December 2006. However, challenging conditions in both the Japanese real estate and global financial markets since late 2008 have adversely impacted the GJT Group's asset values, gearing levels and its ability to refinance its existing debt facilities on commercially viable terms.

1. All amounts expressed in Japanese yen in this Explanatory Memorandum have been converted into Australian dollars at a AUD/JPY exchange rate of A\$1=¥88, unless otherwise indicated.

The GJT Group has the following debt facilities outstanding<sup>2</sup>:

Facility	Maturity Date	Consolidated debt ¥ billion	Consolidated debt A\$ million
Senior Loan	March 2014	36.45	414.1
Mezzanine Eurobonds	September 2014	8.35	94.9
Convertible Eurobonds	September 2016	2.12	24.1
FX Loan	September 2014	4.00	45.5
<b>TOTAL DEBT</b>		<b>50.92</b>	<b>578.6</b>

In response to the circumstances described above, various initiatives have been implemented since November 2008 in an attempt to preserve the opportunity to extract value for existing Unitholders. These included:

- suspension of Trust distributions from November 2008<sup>3</sup>;
- injection of ¥11 billion (\$125.0 million) of Mezzanine Eurobonds and Convertible Eurobonds in September 2009 to facilitate the partial repayment and refinancing of the Senior Loan, and to provide working capital for the TK Business;
- 5 properties sold for aggregate consideration of ¥8.02 billion (\$91.1 million);
- extension of the maturity date for the ¥37.97 billion (\$431.5 million) Senior Loan from April 2012 to March 2014;
- Senior Loan principal repayments of ¥7.20 billion (\$81.8 million) between September 2009 and June 2013; and
- partial repayment of the FX Loan, debt forgiveness of ¥565 million (\$6.4 million) and elimination of ongoing capitalised interest from May 2012.

Despite these initiatives, GJT's capital structure remains unstable. The current gearing level of over 80% heightens GJT's balance sheet volatility and its sensitivity to the value of the Japanese Property Portfolio.

Under the Senior Loan, \$414.1 million is required to be repaid or refinanced in March 2014 by the GJT Group. As at the date of this Explanatory Memorandum there is no guarantee that this loan will be refinanced. If this loan cannot be repaid or refinanced by that date the Senior Loan lender may exercise its right to a forced sale of the Japanese Property Portfolio. In such circumstances, if the Japanese Property Portfolio realised a sale value of ¥53.0 billion (\$602.3 million) (7.7% discount to the current book value) or less, then no equity value would remain for existing Unitholders.<sup>4</sup>

## 2. Summary of Proposal

### 2.1 Proposal

The Proposal is recommended by the Committee in order to stabilise GJT's capital structure and allow the reinstatement of distributions. The Committee supports the Proposal as it offers a comprehensive solution for GJT and has a lower execution risk for delivering an acceptable outcome to existing Unitholders compared to other potential alternatives, including the disposal of the Japanese Property Portfolio and winding up of GJT.

The Proposal essentially comprises the Offer, issue of the New Eurobonds as well as terms and certain concessions provided by the Existing Financiers (as described in Section 2.6), which together will significantly reduce the GJT Group's gearing from approximately 81.9% to approximately 58.2%, as further described below.

The Proposal is conditional on the approval of Resolution 1 (Institutional Placement) and Resolution 2 (Related Party Placement Component). If either Resolution is not approved, the Proposal will not proceed.

However, notwithstanding the approval of both Resolutions, the Proposal may not proceed if:

- a) the Institutional Bookbuild is unsuccessful;
- b) allotment under the Institutional Placement does not occur by 16 October 2013, or the Existing Financiers do not extend the deadlines upon which the allotment under the Institutional Placement must occur; or

2. Pre-Proposal loan balances reflect the approximate loan balances outstanding as at the assumed date of implementation of the Proposal (9 October 2013).

3. Other than a minimal distribution paid in June 2009 for Australian tax purposes.

4. This assumes no discount on repayment of the FX Loan and Convertible Eurobonds.

- 10 c) the AUD/JPY exchange rate is below \$1=¥75 at the Offer Effective Date, as in such circumstances the amount to be raised under the Offer may not be sufficient to repay the Existing Financiers and complete the Proposal.

## 2.2 Offer

GJFML is seeking to raise approximately \$153.0 million (and up to \$179.1 million) under an Institutional Placement of New Units to Institutional Investors at the Offer Price of \$1.50 per New Unit.

The Related Party Placement Component involves participation by GJFML, in its personal capacity, in the Institutional Placement by way of an investment of \$5.0 million at the same Offer Price.

The actual amount raised under the Institutional Placement will vary depending on the AUD/JPY exchange rate on the Offer Effective Date. Refer to Section 2.9 of the Explanatory Memorandum for foreign currency exchange rate sensitivities on the size of the Offer.

The Institutional Bookbuild for the Offer is expected to be conducted on or before the second business day after the Meeting.

If Unitholder approval is received for the Proposal and the Institutional Bookbuild is successful, settlement of the Offer will then be underwritten by the Joint Lead Managers on customary commercial terms.

New Units will be issued under the Institutional Placement at the Offer Price of \$1.50 per New Unit, which provides:

- a) a Pro Forma forecast earnings yield per Unit of 11.0% based on the FY2014 Pro forma forecast Consolidated Income Statement set out in Schedule 1 to the Explanatory Memorandum;
- b) a Pro Forma forecast distribution yield per Unit of 10.0% based on the FY2014 Pro forma forecast Consolidated Income Statement set out in Schedule 1 to the Explanatory Memorandum; and
- c) a 30.6% discount to the 30 June 2013 Pro Forma NTA of \$2.16 per Unit (refer to slides 21 and 38 of the Investor Presentation).

Further details on the Institutional Placement, including the Related Party Placement Component, are set out below.

### 2.2.1 Resolution 1: Institutional Placement

The Institutional Placement will be a placement to Institutional Investors of up to 119,400,000 New Units, offered at the Offer Price of \$1.50 per New Unit, to raise up to \$179.1 million.

The final amount to be raised under the Institutional Placement, up to a maximum of \$179.1 million, will be decided following determination of the value, in Australian dollars, of the Yen Denominated Debt on the Offer Effective Date. At that time, foreign currency hedging transactions will be entered into by GJFML on behalf of the Trust to eliminate the risk of any further changes to the AUD/JPY exchange rate prior to completion of the Proposal. More information about the foreign currency exchange risk associated with the Proposal is provided in Section 2.9 of the Explanatory Memorandum.

If Unitholder approval is received for the Proposal and the Institutional Bookbuild is successful, settlement of the Offer will then be underwritten by the Joint Lead Managers.

The Institutional Placement is conditional on the approval of both Resolution 1 and Resolution 2.

### 2.2.2 Resolution 2: Related Party Placement Component

The Institutional Placement will include the Related Party Placement Component, which is an issue of 3,333,333 New Units to GJFML, in its personal capacity, at the same Offer Price of \$1.50 to raise \$5.0 million. GJFML is a related party of GJT as it is the Trust's responsible entity and because it is indirectly owned by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML).

Such investment helps align Mr. Werrett's interest more closely with the Trust. Related entities of Mr Werrett currently hold<sup>5</sup> 6.35% of all the existing Units in GJT. If the Offer proceeds, Mr Werrett may hold a relevant interest in up to 4.0%<sup>6</sup> of all the Units in GJT.

The Related Party Placement Component is conditional on the approval of both Resolution 1 and Resolution 2.

5. Held through Galileo Japan Funds Management Limited (the Responsible Entity) and Galileo Investments Japan Pty Ltd.

6. Based on AUD/JPY exchange rate of ¥101 on the Offer Effective Date.

## 2.3 New Eurobonds

Subject to the Offer proceeding, the TK Business will issue the New Eurobonds to a new offshore noteholder, on the following key commercial terms:

- a) the issue price for the bonds will be ¥6.00 billion (\$68.2 million)<sup>7</sup> and the par value of the bonds will be ¥6.12 billion (\$69.5 million);
- b) a term of 7 years, expiring in October 2020;
- c) fixed interest at 8% per annum of the par value of the bonds and no principal amortisation;
- d) no voluntary pre-payment in the first 3 years, voluntary prepayment at any time between the 3rd and 4th anniversaries of issuance at 104% of their outstanding principal amount, and no penalty for voluntary prepayment at par value at any time after the 4th anniversary;
- e) mandatory pre-payment at any time without penalty upon sale of an asset at the agreed release price;
- f) no loan to value covenant is applicable to the bonds; and
- g) no debt service coverage covenant is applicable to the bonds.

In order to procure the New Eurobonds from the new offshore noteholder the TK Business agreed to the payment of a commitment fee of ¥50 million (\$0.6 million) which, in the event the Proposal proceeds, will be refunded in full to the TK Business (refer to Section 5.6 for further information in relation to costs of the Proposal).

## 2.4 New Units to rank pari passu

New Units issued under the Offer will rank equally with each other and with existing Units in the Trust.

## 2.5 Use of proceeds of Offer and New Eurobonds

The net proceeds of the Offer and the issue of the New Eurobonds will be used:

- a) **(Yen Denominated Debt)** to invest in the TK Business (being the structure through which GJT holds an indirect and passive interest in the Japanese Property Portfolio) for the purpose of:
  - i) **(Senior Loan)** repaying ¥6.45bn (\$73.3million) of the approximately ¥36.45bn (\$414.1million) outstanding under the Senior Loan, and thereby facilitate the refinancing of the remaining outstanding principal amount;
  - ii) **(Mezzanine Eurobonds)** redeeming all of the Mezzanine Eurobonds for ¥8.35 billion (\$94.9 million); and
  - iii) **(Convertible Eurobonds)** redeeming all of the Convertible Eurobonds for ¥2.12bn (\$24.1 million). Refer to Section 2.6.2 for more information on the Convertible Eurobonds; and
- b) **(Repay FX Loan)** to repay the ¥4.0bn (\$45.5 million) outstanding under the FX Loan between Galileo Finance and GJT, in full and final satisfaction of the total amount outstanding under that loan for ¥1.27bn (\$14.5 million).

The FX Loan is currently held by Galileo Finance, as agent for an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML) with an interest in 50% of the loan, and an entity controlled by Forum with an interest in the remaining 50%. Galileo Finance is also 50% owned by an entity controlled by Mr Werrett, with the other 50% owned by an entity controlled by Forum. Accordingly, Mr Neil Werrett has a conflict in relation to the Proposal being approved by Unitholders.

Galileo Finance purchased the loan in May 2012 and agreed to ¥565 million in debt forgiveness, elimination of ongoing capitalised interest and fixed the principal outstanding at ¥4 billion (refer to GJT's announcement to the ASX dated 11 May 2012),

(such amounts together, the **Yen Denominated Debt**);

- c) **(Other deferred liabilities)** to:
  - i) reimburse GJFML \$2.4 million for operating costs related to the management of GJT which have accrued to GJFML since the refinancing of the GJT Group in September 2009. For further information about the proposed recovery of GJFML's operating costs, refer to Section 5.8 of this Explanatory Memorandum; and
  - ii) pay GJKK ¥0.05bn (\$0.6 million) in accrued but unpaid disposal fees in relation to the sale of properties since September 2009;
- d) **(Working capital)** to raise \$1.7 million for general working capital purposes of the GJT Group;
- e) **(TSD reserves top-up)** to "top-up" the tenant security deposit reserves by ¥0.30 billion (\$3.4 million), as required by the terms of the proposed refinancing of the Senior Loan;

7. Issue price represents approximately 98.04% of par value.



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- f) **(Debt raising costs)** to pay legal and other professional costs associated with the issue of the New Eurobonds estimated to be ¥0.20bn (\$2.3 million), including an extension fee to the Senior Loan lender; and
- g) **(Transaction costs)** to pay for the costs of the Proposal, including Offer costs and advisory costs, estimated to be \$6.0 million (refer to Section 5.6 for more details).

The following table sets out the sources and uses of the proceeds under the Proposal:

Sources	\$m	¥bn	Uses	\$m	¥bn
Institutional Placement (including the Related Party Placement Component) <sup>8</sup>	153.0	13.46	Senior Loan principal repayment	73.3	6.45
New Eurobonds	68.2	6.00	Repay (in full) Mezzanine Eurobonds	94.9	8.35
TK Operator contribution <sup>9</sup>	2.0	0.18	Repay (in full) Convertible Eurobonds	24.1	2.12
			Repay (in full) FX Loan	14.5	1.27
			Other deferred liabilities <sup>10</sup>	3.0	0.27
			Working capital	1.7	0.15
			TSD reserves top-up <sup>11</sup>	3.4	0.30
			Debt raising costs	2.3	0.20
			Transaction costs	6.0	0.53
<b>TOTAL</b>	<b>223.2</b>	<b>19.64</b>	<b>TOTAL</b>	<b>223.2</b>	<b>19.64</b>

## 2.6 Arrangements with Existing Financiers

The Existing Financiers to the GJT Group have agreed to certain concessions in the event that allotment under the Institutional Placement occurs on or before 16 October 2013, as set out below.

### 2.6.1 Senior Loan

The terms on which the Senior Loan will be refinanced are, in summary:

- after repayment of ¥6.45 billion (\$73.3 million), the principal amount owing will be ¥30.0 billion (\$340.9 million);
- there will no longer be a requirement that the principal amount be amortised over the term of the Senior Loan. Presently, the terms of the Senior Loan require that the principal is amortised at a rate of 300bps per annum (approximately \$12.4 million);
- the term of the Senior Loan will be for five years from completion of the Proposal;
- the interest rate margin will be reduced from 175 basis points to 125 basis points over 3-month Japanese LIBOR;
- the tenant security deposits reserves will require a ¥300 million top-up (\$3.4 million);
- the material loan covenants have been agreed such that:
  - there will be no loan to value covenant; and
  - a debt service coverage ratio covenant of no less than 1.7x will be included (using a 4.5% constant interest rate). It is noted that the Pro Forma debt service coverage ratio after the Proposal is estimated to be 2.4x; and
- an extension fee of ¥50 million (\$0.6 million).

GJFML intends to enter into an interest rate swap in order to swap the floating rate to an all-in fixed rate of 1.8% (including margin) for 80% of the loan principal for the duration of the Senior Loan.

### 2.6.2 Convertible Eurobonds

Full repayment of the Mezzanine Eurobonds triggers a conversion right under the Convertible Eurobonds which, if exercised, would entitle the holder of the Convertible Eurobonds to 40% of the net equity in the TK Business.

8. The amount raised under the Institutional Placement (including the Related Party Placement Component) in the table assumes a AUD/JPY exchange rate of ¥88 at the Offer Effective Date. Refer to Section 2.9 for further details on the currency exchange sensitivities.

9. Represents 1.5% of the total capital contributed to the TK Business as required by the TK Agreement.

10. As a part of the refinancing that was completed in September 2009, GJFML agreed to an operating cost recovery arrangement. Refer to Section 5.8 for further details. This amount also includes unpaid disposition fees due to GJKK.

11. Refers to an increase in existing tenant security deposits as required in the terms of the Senior Loan refinancing.

Accordingly as at 30 June 2013, adopting book value of the Japanese Property Portfolio and adjusting for selling costs of 1.5%, the Convertible Eurobonds would have a notional value of ¥4.3 billion (\$48.9 million). The face value of the Convertible Eurobonds is currently approximately ¥2.12 billion (\$24.1 million), being the initial principal plus accrued interest.

As a result, the proposed repayment amount for the Convertible Eurobonds (¥2.12 billion or \$24.1 million) represents a 49.5% discount to the notional value assuming conversion.

### 2.6.3 FX Loan

Galileo Finance has agreed to a full repayment of the FX Loan for ¥1.27 billion (\$14.5 million), representing a discount of 68.1% to the face value of the loan of ¥4.0 billion (\$45.5 million) as at 30 June 2013.

## 2.7 Impact of the Proposal on debt maturity profile and capital structure

The following table shows the impact of the Proposal on the GJT Group's debt maturity profile<sup>12</sup>:

Borrowing	Pre Proposal Amount			Post Proposal Amount		
	¥bn	\$m	Maturity	¥bn	\$m	Maturity
Senior Loan	36.45	414.1	Mar-14	30.0	340.9	Oct-2018
Eurobonds <sup>13</sup>	8.35	94.9	Sep-14	6.12	69.5	Oct 2020
Convertible Eurobonds <sup>14</sup>	2.12	24.1	Sep-16	Nil		n/a
FX Loan <sup>15</sup>	4.00	45.5	Sep-14	Nil		n/a
<b>TOTAL DEBT</b>	<b>50.92</b>	<b>578.6</b>		<b>36.12</b>	<b>410.5</b>	

The proposed capital structure of GJT following completion of the Proposal is set out in the following table.

Existing Units	8,111,332
Institutional Placement of New Units (which includes the Related Party Placement Component)	119,400,000
Maximum total Units in GJT on issue after the Proposal	127,511,332

The actual number of Units on issue following completion of the Offer will vary depending on whether, between the date of announcement of the Offer and the Offer Effective Date, a change in the AUD/JPY exchange rate has increased or decreased the amount of Australian dollars required to repay the Yen Denominated Debt. Refer to the table in Section 2.9.

## 2.8 FY2014 Pro forma forecast Consolidated Income Statement

Schedule 1 contains an FY2014 Pro forma forecast Consolidated Income Statement adjusted for the effects of completing the Proposal (as described in Schedule 1).

## 2.9 Foreign currency exchange sensitivities

At the conclusion of the Offer, the GJT Group will require approximately ¥18.7 billion in order to pay off the Yen Denominated Debt, TSD top-up, costs associated with issuing the New Eurobonds, transaction costs in Japan and accrued disposition fees of the manager in Japan, GJKK.

While the Yen Denominated Debt is denominated and repayable in Japanese Yen, proceeds under the Offer will be raised in Australian dollars. As the repayment terms of the Yen Denominated Debt have been agreed prior to the date of this Notice, the GJT Group faces a currency exchange rate risk from the date of announcement of the Proposal until the Offer Effective Date. At that time hedging arrangements can be entered into. Specifically, if the value of the Australian dollar deteriorates against the Japanese yen during this period, the GJT Group may not be able to satisfy its use of proceeds requirements under the Proposal with the amount raised under the Offer.

12. Pre-proposal loan balances reflect the approximate loan balances outstanding as at the assumed date of implementation (9 October 2013).

13. This incorporates repayment of the existing Mezzanine Eurobonds, and proceeds from the issue of the New Eurobonds.

14. Reflects the face value of the bonds versus the notional value of approximately ¥4.3 billion as at 30 June 2013 adopting GJT book value (which value assumes the bondholder has converted its position into equity in the TK Business). The convertible Eurobond note holder has agreed to repayment of the Convertible Eurobonds for ¥2.12 billion.

15. Reflects face value of the FX Loan as at 30 June 2013.

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To address this exchange rate risk the maximum amount to be raised under the Institutional Placement has been set taking into account the potential increase in the value, in Australian dollars, of the Yen Denominated Debt caused by a change in the AUD/JPY exchange rate between the date of the announcement of the Offer and the Offer Effective Date. Before the Institutional Placement is undertaken by the Joint Lead Managers, the Committee will determine the actual amount of funds required based on the prevailing AUD/JPY exchange rate.

On the Offer Effective Date, GJFML, on behalf of the Trust, will enter into foreign currency hedging arrangements to eliminate the risk of foreign currency movements after that date and before completion of the Proposal.

The table below shows, among other matters, the effect the AUD/JPY exchange rate has on the amount needed to be raised under the Offer<sup>16</sup>, as well as the Pro Forma forecast earnings and distribution per Unit for the year ending 30 June 2014.

Assuming an allotment date under the Offer of 9 October 2013 and a constant exchange rate of \$1=¥88, the distribution per Unit for the year ending 30 June 2014 is expected to be 10.9 cents per Unit, which equates to an annualised DPU yield of 10.0%.

	Sensitivities						
AUD/JPY exchange rate	¥75	¥79	¥84	<b>¥88</b>	¥92	¥97	¥101
Total Offer Size (A\$m)	179.1	170.1	160.1	<b>153.0</b>	146.4	139.0	133.6
Total number of New Units issued (in millions)	119.4	113.4	106.7	<b>102.0</b>	97.6	92.7	89.1
FY14 Pro forma forecast EPU yield on Offer Price	11.2%	11.2%	11.1%	<b>11.0%</b>	10.9%	10.8%	10.8%
FY14 Pro forma forecast DPU yield on Offer Price	10.3%	10.2%	10.1%	<b>10.0%</b>	10.0%	9.9%	9.8%
Offer Price Discount to NTA	31.6%	31.3%	30.9%	<b>30.7%</b>	30.4%	30.0%	29.8%

## 2.10 Resolutions to approve the Offer

The Resolutions for the Offer consist of:

- an ordinary resolution approving the issue of New Units to Institutional Investors under the Institutional Placement (**Resolution 1**); and
- an ordinary resolution approving the issue of New Units to GJFML in its personal capacity (a related party of GJT) under the Related Party Placement Component of the Institutional Placement (**Resolution 2**).

The Proposal will only proceed if both Resolutions are passed. If either Resolution is not approved then the Proposal will not proceed.

The Resolutions each require approval by a simple majority of votes cast by Unitholders entitled to vote at the Meeting.

ASX voting exclusions apply to Resolutions 1 and 2. A statement of the voting exclusions that apply to each Resolution is made in the Notice. Since:

- a Unitholder is prevented from voting on either Resolution 1 or Resolution 2 if they might obtain a benefit (other than solely in the capacity of a holder of ordinary securities); and
- Resolutions 1 and 2 and inter-conditional,

any Unitholder (or an associate of that person) who is excluded from voting on one of the two Resolutions will also be excluded from voting on the other Resolution.

In addition to the ASX voting exclusions, pursuant to the Corporations Act, GJFML and its associates will not be entitled to vote on any of the Resolutions if they have an interest in a particular Resolution other than as a Unitholder.

## 2.11 Timetable for the Offer

The timetable for the Offer is provided below. The timetable assumes each of the Resolutions is approved by Unitholders at the Meeting. This timetable is subject to change and dates are indicative only. GJFML in conjunction with the Joint Lead Managers reserves the right to amend the indicative timetable subject to the Corporations Act and the Listing Rules and other applicable laws. In particular, GJFML reserves the right to amend all the dates and times, to accept late applications (either generally or in particular cases), to withdraw the Offer without prior notice and to conduct the Institutional Bookbuild prior to the Meeting. The commencement of the quotation of the New Units is subject to confirmation from the ASX.

<sup>16</sup>. Assumes ¥13.46 billion is required to be raised under the Institutional Placement (which includes the related Party Placement Component) to give effect to the Proposal.

Announcement of Proposal and Meeting	Monday, 9 September 2013
Despatch of Notice of Meeting and Explanatory Memorandum	Monday, 9 September 2013
Record date to determine eligibility to vote at the Meeting	7.00pm (AEST) Monday, 30 September 2013
Meeting held to approve Proposal	10:00am (AEST) Wednesday, 2 October 2013
Institutional Bookbuild	Expected to occur on or before Friday, 4 October 2013
Underwriting of settlement of the Institutional Placement	Immediately following completion of the Institutional Bookbuild (if successful)
Settlement date for the Institutional Placement (including the Related Party Placement Component)	Tuesday, 8 October 2013
Allotment and normal trading of New Units under Institutional Placement (including the Related Party Placement Component)	Wednesday, 9 October 2013

### 3. Committee recommendations and intentions

#### 3.1 Director's interests

No Directors have a material personal interest in the outcome of the Proposal, other than Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML) as described below.

#### 3.2 Composition of Committee

The FX Loan, with an amount outstanding as at 30 June 2013 of ¥4.0 billion (\$45.5 million), is proposed to be repaid at a discount under the Proposal. The FX Loan is currently held by Galileo Finance, as agent for an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML) with an interest in 50% of the loan, and an entity controlled by Forum with an interest in the remaining 50%. Galileo Finance is also 50% owned by an entity controlled by Mr Werrett, with the other 50% owned by an entity controlled by Forum.

Due to the interest in Galileo Finance and other personal interests (including, for example, GJFML's potential participation in the Related Party Placement Component), Mr Neil Werrett has a conflict in relation to the Proposal being approved by Unitholders.

To ensure that decisions and recommendations in relation to the Proposal are made independently, the Directors who are not associated with Galileo Finance or any other entity which is a related party of Mr. Werrett, and who otherwise do not have a personal interest in the outcome of the Proposal (other than as a Unitholder of GJT), have formed the Committee which has considered and provided, on GJFML's behalf, the recommendations in this Notice and Explanatory Memorandum. The committee comprises Mr Jack Ritch, Mr Frank Zipfinger, Mr Phillip Redmond and Mr Peter Murphy.

#### 3.3 Committee recommendations and intentions

The Committee believes the Proposal is in the best interests of Unitholders. The Committee unanimously recommends that Unitholders vote in favour of Resolutions 1 and 2. The Committee members intend to do so in relation to their own Units.

In forming their recommendation, the Committee has carefully considered the expected advantages, disadvantages, consequences and risks in relation to the Proposal. These matters are described in Sections 4 and 5 of this Explanatory Memorandum.

The Committee believes that the expected advantages of the Proposal outweigh the potential disadvantages and risks. The Committee unanimously supports the Proposal on the basis that it is likely to deliver the best possible outcome for Unitholders in the current circumstances.

### 4. Advantages & disadvantages of the Proposal

The purpose of this Section 4 is to identify significant issues for Unitholders to consider in relation to the Proposal and therefore Resolutions 1 and 2. Before deciding on how to vote at the Meeting, Unitholders should carefully consider the factors discussed below, as well as other information contained in this Explanatory Memorandum and the Investor Presentation.

See section 5.1 in relation to the impact on GJT if the Proposal does not proceed.

## 4.1 Advantages of the Proposal

Potential advantages or benefits to Unitholders of the Proposal, if it is successfully completed, are detailed below. These advantages may lead Unitholders to vote "Yes" to approve the Resolutions.

### 4.1.1 Placement to Institutional Investors at a premium to market price

Existing Unitholders may derive additional value from the issue of up to 119,400,000 New Units to Institutional Investors under the Institutional Placement at the Offer Price of \$1.50, which represents a premium of 107.9% to the 3-day VWAP of Units to 3 September 2013. As a result, the market price of GJT's Units is expected to trend toward the Offer Price of \$1.50 (but no guarantee can be given that this will occur). The last time GJT traded at \$1.50 was 17 February 2011.

### 4.1.2 Reinstatement of distributions

If completion of the Proposal occurs, GJFML may be in a position (subject to the discretion of the Directors and other relevant factors) to resume paying Trust distributions. Such distributions are expected to commence for the period from the allotment of the New Units under the Institutional Placement to 31 December 2013. The Pro Forma forecast DPU yield after implementation of the Proposal is estimated to be 10.0%<sup>17</sup>. Assuming an allotment date under the Offer of 9 October 2013 and a constant exchange rate of \$1=¥88, the distribution per Unit for the year ending 30 June 2014 is expected to be 10.9 cents per Unit, which equates to an annualised DPU yield of 10.0%<sup>18</sup>.

Unitholders should be aware that future events cannot be predicted with certainty and, as a result, deviations from the forecasts contained in the FY2014 Pro forma forecast Consolidated Income Statement are to be expected. Accordingly, there is no guarantee that Unitholders will receive any distributions following implementation of the Proposal. The financial forecasts contained in the FY2014 Pro forma forecast Consolidated Income Statement should be read in conjunction with GJT's accounting policies, the sensitivity analysis in Schedule 1, and the risk factors outlined in the Section entitled "Key risks" in the Investor Presentation. Unitholders are cautioned not to place undue reliance on any forecast financial information. Investors should note that actual FY2014 earning and distribution yields will vary from those targeted in the FY2014 Pro forma forecast Consolidated Income Statement given, among other things, the Proposal will complete part way through FY2014.

### 4.1.3 Reduction of GJT Group debt

The GJT Group has, after significant effort and negotiation, reached agreement with its Existing Financiers to use the proceeds of the Offer to fund the repayment of 29% of the GJT Group's current debt, extend material near term loan maturities<sup>19</sup> which results in a reduction of the GJT Group's gearing<sup>20</sup> from 81.9% at 30 June 2013 to 58.2% after the Proposal.

Further information about the arrangements with the Existing Financiers is set out in Section 2.6 of this Explanatory Memorandum. These arrangements are conditional upon completion of the Institutional Placement on or before 16 October 2013.

### 4.1.4 Refinancing of Senior Loan

The Proposal will allow the outstanding balance under the Senior Loan to be refinanced on more favourable terms than currently exist. The lender has agreed to vary the terms of the Senior Loan in a manner, as described in Section 2.6.1 of this Explanatory Memorandum.

The proposed refinancing of the Senior Loan is conditional on completion of the Offer by no later than 31 October 2013.

### 4.1.5 Japanese Property Portfolio

Properties held or acquired through the TK structure in Japan are expected to provide a sustainable source of net operating income, and the opportunity for GJKK to enhance returns by active asset management or repositioning where risks associated with projects can be mitigated.

The successful completion of the Proposal will allow GJT to potentially benefit from any recovery in Japanese economic and property market conditions.

17. Based on the Offer Price of \$1.50 under the Institutional Placement.

18. Based on the Offer Price of \$1.50 under the Institutional Placement.

19. Refer to Sections 1, 2.5 and 2.6 of this Explanatory Memorandum for information about the upcoming deadlines for repayment of debts, and the arrangements the GJT Group has made with its Existing Financiers for the extension of the term of the Senior Loan and full repayment of other liabilities. These arrangements are conditional on the completion of the Institutional Placement on or before 16 October 2013.

20. Total interest bearing liabilities to total assets.



#### 4.1.6 No distressed portfolio sale

The successful completion of the Proposal will eliminate the risk of a distressed Japanese Property Portfolio sale in the event the GJT Group is unable to repay or refinance its significant 2014 debt repayment obligations. In such circumstances, if the Japanese Property Portfolio realised a sale value of ¥53.0 billion (\$602.3 million) (7.7% discount to the book value) or less, no equity value would remain for existing Unitholders.<sup>21</sup>

#### 4.1.7 Potential for improved liquidity

Currently, the liquidity of Units is limited. Following completion of the Proposal GJT will have a more stable capital structure and larger market capitalisation, which may result in enhanced liquidity of the Units and the possible inclusion of GJT to the S&P/ASX 300.

### 4.2 Disadvantages of the Proposal

Potential disadvantages to Unitholders of the Proposal are detailed below. These may be reasons for which Unitholders may wish to vote “No” on the Resolutions.

#### 4.2.1 Dilution from Offer

The issue of New Units under the Offer will result in significant dilution of existing Unitholders’ interests in the Trust. Up to 119,400,000 New Units may be issued under the Offer. This will mean that, on completion of the Offer, New Units will account for 93.64% of the total issued Units.

#### 4.2.2 Remove potential to pursue alternative proposals

Completion of the Proposal will remove the potential to consider alternative proposals which may or may not achieve a higher capital return on a Unitholder’s investment as compared to the Proposal.

If successful completion of the Proposal does not occur, the costs incurred in pursuing the Proposal may also prevent GJFML from pursuing an alternative proposal, should one arise (refer to Section 5.2).

#### 4.2.3 Placement at discount to NTA

The Offer Price is at a discount to the adjusted NTA at 30 June 2013 (refer to Section 5.3). Adjusted NTA will drop from \$3.68 per Unit (if the Proposal does not proceed, refer to Section 5.2(b)) to \$2.16 per Unit if the Proposal does proceed (refer to slides 21 and 38 of the Investor Presentation).

#### 4.2.4 Unitholder register composition

As a result of the issue of New Units under the Offer, the composition of the register of GJT will significantly change with a number of new Unitholders obtaining substantial interests in GJT.

It is anticipated that New Units under the Institutional Placement will be dispersed so that, at completion of the Offer, no Unitholder and its associates (and no Joint Lead Manager and its associates) will hold in excess of 19.9% of the Units in GJT.

#### 4.2.5 Costs of the Proposal

The Proposal will result in costs totalling approximately \$8.3 million (\$6.0 million in transaction costs related to the Offer and the Meeting and \$2.3 million in debt raising costs) that will be funded out of the capital raised (refer to Sections 5.2 and 5.6 for further details including in relation to costs of the Proposal).

21. Book value as at 30 June 2013. This value assumes no discount on repayment of the FX Loan and Convertible Eurobonds.

## 5. Additional considerations

Below is a summary of certain additional considerations and risks associated with the Offer and Proposal.

### 5.1 Impact on GJT if the Proposal does not proceed

GJT's current capital structure is unstable. If the Proposal does not proceed, there would be material uncertainty casting significant doubt on GJT's ability to continue as a going concern, and in particular that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The current gearing level of over 80% heightens GJT's balance sheet volatility and its sensitivity to the value of the Japanese Property Portfolio.

GJT Group has debts totalling ¥48.7 billion (\$554.5 million) that are scheduled to mature in 2014<sup>22</sup>. If these amounts cannot be repaid or refinanced, the relevant lenders to the GJT Group may exercise their right to a forced sale of the Japanese Property Portfolio. If the GJT Group realised a sale value of ¥53.0 billion (\$602.3 million) (7.7% discount to the book value) or less for the Japanese Property Portfolio, no equity value would remain for existing Unitholders.

The Committee believes that, out of all the alternatives to the Proposal that have been explored by the Directors (as discussed in Section 6 of the Explanatory Memorandum), the Proposal offers a comprehensive solution for GJT and has a lower execution risk for delivering an acceptable outcome to the existing Unitholders compared to those alternatives.

### 5.2 Abortive costs

Refer to section 5.6 in relation to costs of the Proposal. Approximately \$2.8 million of these costs are payable irrespective of whether the Proposal proceeds or not. If the Proposal does not proceed:

- a) such costs will be funded from existing cash reserves with the balance, to the extent required, funded by capitalising up to one quarter of the existing Mezzanine Eurobond interest; and
- b) the Adjusted NTA<sup>23</sup> to 30 June 2013 of \$4.03 per Unit (refer to Section 5.3(c) below) would be reduced to \$3.68 per Unit as a result of adjustments to allow for the payment of those costs.

### 5.3 Adjusted NTA at 30 June 2013

As at 30 June 2013, GJT reported:

- a) an NTA of \$8.42 per Unit;
- b) an adjusted NTA per Unit of \$4.59 after conversion of the Convertible Eurobonds at 30 June 2013<sup>24</sup>; and
- c) an adjusted NTA per Unit of \$4.03 after conversion of the Convertible Eurobonds at 30 June 2013 and using the face value of the FX Loan of ¥4.0 billion<sup>25</sup> (**Adjusted NTA**),

based on an AUD/JPY exchange rate of \$1.0=¥91.64<sup>26</sup>. The Offer Price of \$1.50 under the Offer is a 62.78% discount to the Adjusted NTA described above.

When the following further adjustments are applied, the Adjusted NTA per Unit drops from \$4.03 per Unit to \$3.55 per Unit (**Further Adjusted NTA**):

- d) the deduction of selling costs<sup>27</sup> of 1.5% on the remaining assets in the Japanese Property Portfolio; and
- e) the application of an AUD/JPY exchange rate of \$1=¥88.

The Offer Price of \$1.50 under the Offer is a 57.73% discount to the Further Adjusted NTA described above.

22. These comprise the ¥36.45 billion (\$414.1m) Senior Loan maturing in March 2014, as well as ¥8.35 billion (\$94.9m) of Mezzanine Eurobonds and the ¥4.0 billion (\$45.5m) FX Loan maturing in September 2014.

23. Adjusted for convertible Eurobond and FX loan to face value.

24. Following full repayment of the Mezzanine Eurobonds, the Convertible Eurobonds may be redeemed (at the bondholder's discretion) for the then outstanding principal amount (including accrued interest) or converted into an interest in the Japanese TK equal to 40% of GJT's interest in the TK Business.

25. The foreign currency loan facility is recorded at face value of \$43.6 million as at 30 June 2013.

26. AUD/JPY exchange rate as at 30 June 2013.

27. Brokerage, legal and other disposition fees.

## 5.4 Funds from operations (FFO) at 30 June 2013

As at 30 June 2013, GJT reported funds from operations (**FFO**) of \$1.08 per Unit<sup>28</sup>. It is important to note that FFO, by definition, does not include the cash outflow related to the required repayment of principal on the Senior Loan, which for the year ended 30 June 2013 amounted to \$12.5 million, or \$1.54 per Unit. When taking the Senior Loan principal payment into consideration, the FFO for the 30 June 2013 year is negative \$0.46 per Unit, indicating that GJT is operating on negative cash flow. This is not a sustainable situation for GJT as working capital would be completely eroded within the next 12 months.

If the Proposal proceeds, the FY2014 forecast Pro Forma FFO is estimated to be \$18.7 million or 17.0 cents per Unit. This positive FFO allows for the possible reinstatement of distributions as highlighted in Section 4.1.2 of this Explanatory Memorandum.

## 5.5 Settlement underwriting of Institutional Placement

If Unitholder approval is received for the Proposal and the Institutional Bookbuild is successful, settlement of the Offer will then be underwritten by the Joint Lead Managers pursuant to an Underwriting Agreement on customary commercial terms.

In certain circumstances the Joint Lead Managers may terminate the Underwriting Agreement prior to settlement of the Offer.

## 5.6 Costs of the Proposal

The total expenses to implement the Proposal in Australia and Japan are expected to be \$8.3 million (\$6.0 million in transaction costs related to the Offer and the Meeting and \$2.3 million debt raising costs). These include fees and costs associated with the Proposal (including the abortive costs described in Section 5.2) and other advisory fees including legal, accounting and tax. The transaction costs do not include any fees or expenses payable to GJFML or related entities, which will be paid by the GJT Group from the proceeds of the Offer.

The table below sets out the estimated total costs of the Proposal (including the abortive costs described in Section 5.2).

	A\$
Underwriting, legal, accounting and tax fees and costs	6.0 million
Debt raising costs	2.3 million
<b>TOTAL</b>	<b>8.3 million</b>

## 5.7 Reversion to original strategy

In September 2009, GJFML announced that the GJT Group would seek to sell the Japanese Property Portfolio over time. Since that time 5 properties have been sold for an aggregate consideration of ¥8.02 billion (\$91.1 million). Following the recapitalisation of the Trust under the Proposal, the GJT Group will cease that sale process and resume its original business strategy of holding and investing in Japanese property.

Properties held or acquired through the TK Business in Japan are expected to provide a sustainable source of net operating income, and the opportunity for GJJK to enhance returns by active asset management or repositioning where risks associated with projects can be mitigated. This should enable the reinstatement of distributions to Unitholders.

After completion of the Proposal, management's primary focus will be to enhance the free cash coverage of distributions through active asset management and close the gap between Offer Price and Pro Forma NTA.

This may include initiatives such as:

- a) increasing portfolio net operating income as market conditions become more favourable, particularly in relation to Tokyo office buildings;
- b) investigating asset acquisitions or sales that will enhance both earnings and NTA;
- c) a potential buy back of GJT units;
- d) actively promoting GJT to prospective investors, the media and analysts; and
- e) the possibility of domiciling the listing to another jurisdiction such as Japan or Singapore.

GJFML anticipates that after implementation of the Proposal, some combination of the abovementioned initiatives should improve the value of Units relative to underlying NTA in the medium term.

<sup>28</sup> Refer to slide 3 of the GJT FY13 Annual Results Presentation.

## 5.8 GJFML cost recovery

As a part of the refinancing of the GJT Group in September 2009, GJFML agreed to an operating cost recovery arrangement in lieu of payment of the Base Responsible Entity Fee and Performance Fees it was otherwise entitled to under GJT's Constitution. These fees were required to be waived by the lenders at that time.

The payment of GJFML's accrued but unpaid operating costs are deferred until all outstanding obligations to the Eurobond note holders and the lender under the FX Loan were fully repaid. Operating costs of \$50,000 per month have accrued, but not been paid, to GJFML since September 2009 totalling \$2.4 million.

Following completion of the Offer, and as a part of the Proposal, these accrued costs will be paid to GJFML. Thereafter, this right to cost recovery will stop accruing to GJFML.

## 5.9 Reinstatement of Base Responsible Entity fee payable to GJFML

As noted above the Base Responsibility Entity Fee and Performance Fee payable to GJFML under the Trust's Constitution were waived from September 2009.

The terms of the Base Responsibility Entity Fee payable to GJFML are set out in the Trust's Constitution and the PDS for the Trust's initial public offering in 2006.

As part of this Proposal, GJFML will reinstate its claim to its share of the Base Responsible Entity Fee (0.1% of gross assets) as described in GJT's constitution in relation to the period commencing on completion of the Proposal. GJKK has been, and will continue, charging a fund management fee of 0.3% on gross assets of the TK Business.

The Committee is of the view that the waiver of such fees is no longer appropriate due to the significant recapitalisation of the Trust under the Proposal and reversion of the Trust to its original strategy. As noted in Section 5.8 above, the GJFML cost recovery will stop accruing once the Base Responsible Entity Fee is reinstated.

## 6. Alternatives to Proposal

GJFML considered a range of possible alternatives available to GJT to stabilise its balance sheet and preserve value for existing Unitholders. A description of the alternatives is set out below.

The Committee supports the Proposal as it offers a comprehensive solution for GJT and has a lower execution risk for delivering an acceptable outcome to existing Unitholders compared to other potential alternatives, including the disposal of the Japanese Property Portfolio and winding up of GJT.

### 6.1 Orderly asset sales of Japanese Property Portfolio

Since September 2009, GJFML has attempted to conduct an orderly sale of the Japanese Property Portfolio in order to secure repayment of its liabilities in 2014 and beyond. During that time, 5 properties have been sold for an aggregate consideration of ¥8.02 billion (\$91.1 million).

As the maturity date of the Senior Loan in March 2014 gets closer, GJT may need to accept a discount on the price of the Japanese Property Portfolio, thereby reducing the potential return of capital to Unitholders. If a sale value of ¥53.0 billion (\$602.3 million) (7.7% discount to the book value) or less is realised, no equity value would remain for existing Unitholders.<sup>29</sup>

In this context, the Committee has formed the view that continuation of the asset sale program at this time is unlikely to preserve value for existing Unitholders.

<sup>29</sup>. This value assumes no discount on repayment of the FX Loan and Convertible Eurobonds.

## 6.2 Further debt refinancing

The Committee does not believe that it is in the best interests of existing Unitholders for GJT to retain its current highly leveraged balance sheet, such that a debt refinancing, even if available on satisfactory terms, would be an unsatisfactory outcome. The Committee is of the view that current debt levels are not sustainable.

At the date of this Explanatory Memorandum, and in the absence of the Proposal, it is uncertain whether the GJT Group will be able to repay and/or refinance the Senior Loan on satisfactory terms prior to maturity in March 2014.

## 6.3 Alternative structure of the Proposal

The Committee also considered a range of alternative structures necessary to raise funds sufficient to recapitalise the Trust, all of which were considered to be unsuitable or impracticable in the circumstances. For example, a rights issue of new GJT Units to raise the capital required to complete the Proposal would equate to up to approximately 32 times GJT's current market capitalisation, which the Committee believes is an unrealistic request to make of existing Unitholders at this time.

# 7. Information concerning the recapitalisation Resolutions

This Section summarises the Corporations Act and ASX Listing Rule requirements relevant to Resolution 1 (Institutional Placement) and Resolution 2 (Related Party Placement Component).

## 7.1 Resolution 1 – Institutional Placement

ASX Listing Rule 7.1 provides, in summary, that a listed entity may not issue or agree to issue a number of equity securities in any 12 month period that exceeds 15% of the number of securities of the entity on issue at the commencement of the 12 month period (the **15% Limit**), except with the prior approval of security holders of the entity in general meeting, unless one of the exceptions contained in ASX Listing Rule 7.2 applies.

Approval is sought for the proposed issue of New Units to Institutional Investors under the Institutional Placement in Resolution 1 to permit GJFML to issue those Units without breaching the 15% Limit which applies to GJFML under ASX Listing Rule 7.1 and to preserve GJFML's capacity (as responsible entity of GJT) to issue further Units within the 15% Limit in a 12 month period without the approval of Unitholders.

For the purposes of ASX Listing Rule 7.3:

- a) the maximum number of New Units that will be issued under the Institutional Placement is 119,400,000;
- b) the date by which GJFML will issue and allot New Units under the Institutional Placement will be no later than three months after the date of the Meeting, and is expected to be 9 October 2013;
- c) the issue price of each New Unit under the Institutional Placement is \$1.50;
- d) the allottees of New Units, other than GJFML pursuant to the Related Party Placement Component, will be Institutional Investors identified by the Joint Lead Managers;
- e) the New Units will be issued on the same terms as, and will rank equally with, all other existing Units from the time of issue;
- f) GJFML will apply the net proceeds from the Institutional Placement in accordance with the intended uses of funds set out in Section 2.5 of this Explanatory Memorandum; and
- g) the issue date is scheduled for 9 October 2013 and will be no later than three months after the date of the Meeting.

**Recommendation:** The Committee unanimously recommends that Unitholders vote in favour of Resolution 1.



## 7.2 Resolution 2 – Related Party Placement Component

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Unitholder approval is sought in Resolution 2 for the issue of 3,333,333 New Units in GJT at a total issue price of \$5.0 million to GJFML under the Related Party Placement Component of the Institutional Placement. GJFML is a related party of GJT due to its role as responsible entity of the Trust and because it is an entity indirectly owned by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML). GJFML will participate in the Related Party Placement Component in its personal capacity. This approval is being sought in order to comply with the requirements of ASX Listing Rule 10.11.

ASX Listing Rule 10.11 requires a listed entity to seek the approval of security holders to an issue (or an agreement to issue) securities to a Related Party of the entity, unless one of the exceptions in ASX Listing Rule 10.12 applies. A “Related Party” in relation to a trust is defined in the ASX Listing Rules as the responsible entity and any related party of the responsible entity under Section 288 of the Corporations Act, as defined by Section 601LA of the Corporations Act. It includes the Directors of the responsible entity of the Trust, and the entities indirectly owned by a Director.

For the purposes of ASX Listing Rule 10.13:

- a) New Units will be issued under the Related Party Placement Component to GJFML (in its personal capacity);
- b) the maximum number of New Units that will be issued under the Related Party Placement Component is 3,333,333;
- c) the date by which GJFML, on behalf of GJT, will issue the 3,333,333 New Units under the Related Party Placement Component will be no later than one month after the date of the Meeting and is expected to be 9 October 2013;
- d) approval of the Related Party Placement Component is required under ASX Listing Rule 10.11 as:
  - i) GJFML is the responsible entity of GJT; and
  - ii) Mr Neil Werrett, a director of GJFML, indirectly owns GJFML, and therefore GJFML is a Related Party of GJT within the meaning of the ASX Listing Rules;
- e) the issue price at which each New Unit will be issued under the Related Party Placement Component is \$1.50;
- f) the New Units will be issued on the same terms as, and will rank equally with, all other existing Units from the time of issue; and
- g) GJFML, on behalf of GJT, will apply the net proceeds from the Related Party Placement Component in accordance with the intended uses of funds set out in Section 2.5 of this Explanatory Memorandum.

**Recommendation:** The Committee unanimously recommends that Unitholders vote in favour of Resolution 2.

## 7.3 Units held on behalf of Directors

The relevant interest of each Director in Units and Units of a related body corporate of GJFML is set out in GJT's Annual Financial Report for the year ended 30 June 2013 and any announcements made to the ASX available at [www.asx.com.au](http://www.asx.com.au).

# Glossary

In this Explanatory Memorandum, and in the Important Notices, Letter from the Chairman, Notice of Meeting and Information for Unitholders, the following capitalised terms and expressions have the following meanings unless stated otherwise or as the context otherwise requires:

Term	Meaning
<b>ASX</b>	means ASX Limited or the market operated by it as the context requires.
<b>ASX Listing Rules</b>	means the listing rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
<b>AUD, \$ or Australian dollars</b>	means Australian dollars.
<b>Committee</b>	means a committee of independent Directors, being the Directors of GJFML who do not have any interest in the Proposal (other than as a Unitholder of GJT) and comprises Mr Jack Ritch, Mr Frank Zipfinger, Mr Phillip Redmond and Mr Peter Murphy.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Director</b>	means a director of GJFML.
<b>DPU</b>	means distributions per Unit.
<b>EPU</b>	means earnings per Unit.
<b>Existing Financiers</b>	means the Senior Loan lender, the existing Mezzanine and Convertible Eurobonds holder and Galileo Finance.
<b>Explanatory Memorandum</b>	means this document, which forms part of the Notice.
<b>Forum</b>	means an entity related to the note holder of the existing Mezzanine Eurobonds and Convertible Eurobonds.
<b>FX Loan</b>	means the foreign currency loan between GJFML and Galileo Finance, as agent for an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML) with an interest in 50% of the loan, and Forum (with an interest in the remaining 50%.
<b>FY2014 Pro forma forecast Consolidated Income Statement</b>	means the Pro forma forecast Consolidated Income Statement (for the year ending 30 June 2014) set out in Schedule 1 to the Explanatory Memorandum.
<b>Galileo Finance</b>	means Galileo Finance Pty Limited, a company that is 50% owned by an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML), with the other 50% owned by an entity controlled by Forum.
<b>GJFML</b>	means Galileo Japan Funds Management Limited (ACN 121 567 244), the company who is appointed Responsible Entity of the Trust.
<b>GJKK</b>	means Galileo Japan KK.
<b>GJT or Trust</b>	means Galileo Japan Trust (ARSN 122 465 990).
<b>GJT Group</b>	means GJT and all the entities through which it holds an indirect interest in the Japanese Property Portfolio.
<b>Greater Tokyo</b>	means the Tokyo metropolitan region, comprising the prefecture of Tokyo and the three neighbouring prefectures of Saitama, Kanagawa and Chiba.
<b>Institutional Bookbuild</b>	means the bookbuild to secure the investment of Institutional Investors in the Institutional Placement which is expected to be conducted on or before the second business day after the Meeting.

Term	Meaning
<b>Institutional Investors</b>	<p>means a person to whom it is proposed New Units are issued under the Institutional Placement as determined by the Committee and the Joint Lead Managers which will be a person to whom an Offer of New Units may be made as part of the Institutional Placement:</p> <ul style="list-style-type: none"> <li>• in Australia: <ul style="list-style-type: none"> <li>– without a product disclosure statement under Part 7.9 of the Corporations Act on the basis that such person is a wholesale client within the meaning of Section 761G of the Corporations Act; and</li> <li>– that such person is not a US Person and is not acting for the account or the benefit of a US Person; or</li> </ul> </li> <li>• outside Australia without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of the foreign jurisdiction (except to the extent GJFML, in its absolute discretion, is willing to comply with such requirements) and who is not a US Person and is not acting for the account or benefit of a US Person.</li> </ul>
<b>Institutional Placement</b>	means the placement to raise approximately \$153.0 million (and up to \$179.1 million) by way of a placement to Institutional Investors at the Offer Price of \$1.50 per New Unit which is subject to the passing of Resolutions 1 and 2.
<b>Investor Presentation</b>	means the presentation titled “Recapitalisation of Galileo Japan Trust” dated 9 September 2013 and lodged with ASX on 9 September 2013.
<b>Japanese Property Portfolio</b>	means the 21 Japanese real estate properties located in Japan, that are held by the TK Business and in which GJT has an indirect and passive interest.
<b>Joint Lead Managers</b>	means Macquarie Capital (Australia) Limited (ACN 123 199 548) and Moelis Australia Advisory Pty Ltd (ACN 142 008 446).
<b>JPY, ¥ or Japanese yen</b>	means Japanese currency.
<b>LIBOR</b>	means the London interbank offered rate.
<b>Meeting</b>	means the general meeting of Unitholders to be held on Wednesday, 2 October 2013 at 10:00am (AEST) at Sydney Harbour Marriott Hotel at Circular Quay (30 Pitt Street Sydney NSW) in relation to the Notice.
<b>New Eurobonds</b>	means new notes to be issued by the TK Business in Japan, as described in Section 2.3 of the Explanatory Memorandum.
<b>New Units</b>	means the new Units offered and issued under the Proposal.
<b>Notice</b>	means the Notice of Meeting dated 9 September 2013 including the Explanatory Memorandum.
<b>NTA</b>	means net tangible assets.
<b>Offer</b>	means the Institutional Placement which includes the Related Party Placement Component.
<b>Offer Effective Date</b>	the later of the outcome of the vote on the Resolutions and completion of the Institutional Bookbuild for the Offer (which is expected to occur on or before the second business day after the Meeting).
<b>Offer Price</b>	means the price of \$1.50 for each New Unit to be issued under the Institutional Placement.
<b>Pro Forma</b>	has the meaning given to it under the heading “General” under “Important Notices”.
<b>Proposal</b>	means the Offer, issue of New Eurobonds and refinancing of the Senior Loan.
<b>Related Party Placement Component</b>	means the offer and issue by way of placement of 3,333,333 New Units to GJFML, in its personal capacity, at the Offer Price of \$1.50 per New Unit, subject to the passing of Resolutions 1 and 2.
<b>Resolutions</b>	means Resolution 1 (Institutional Placement) and Resolution 2 (Related Party Placement Component) proposed in the Notice.
<b>Responsible Entity</b>	means Galileo Japan Funds Management Limited (ABN 59 121 567 244, AFSL No. 305 429) as responsible entity for the Trust.
<b>Senior Loan</b>	means GJT Group’s senior loan facility under which the amount outstanding at the Offer Effective Date is ¥36.45 billion.

Term	Meaning
<b>TCM</b>	means Tokyo Capital Management, a subsidiary of Nippon Kanjai Company.
<b>TK Business</b>	means the consolidated business of Central Master Godo Kaisha and Central Sub Godo Kaisha operated in accordance with the TK agreements.
<b>Underwriting Agreement</b>	means the underwriting agreement between GJFML and the Joint Lead Managers in relation to the Offer.
<b>Unitholder</b>	means the registered holder of a Unit.
<b>Units</b>	mean a fully paid ordinary unit in the Trust.
<b>US Person</b>	means that term defined in Regulation S under the U.S. Securities Act of 1933, as amended from time to time.
<b>VWAP</b>	means volume weighted average price of the Unit during the specified period.
<b>Yen Denominated Debt</b>	is described in Section 2.5 of the Explanatory Memorandum.

# Schedule 1 – FY2014 Pro forma forecast

## Consolidated Income Statement

Year ending 30 June 2014	Pro forma forecast (A\$'000s)
Net property income (NPI)	37,925
Finance costs	(11,826)
Asset management fees:	
– TCM	(1,832)
– GJKK	(437)
Fund management fees:	
– GJKK	(2,076)
– GJFML	(692)
Other expenses	(2,267)
<b>Net income</b>	<b>18,795</b>
Outside equity interest	(563)
<b>Net income attributable to GJT</b>	<b>18,232</b>
Add: Non-cash amortisation	441
Funds from operations (FFO)	18,673
<b>Distribution to GJT Unitholders</b>	<b>16,468</b>
Units on issue (m)	110.1
Earnings per Unit (EPU) cpu	16.5
<b>EPU Yield</b>	<b>11.0%</b>
<b>Distribution per Unit (DPU) cpu</b>	<b>15.0</b>
<b>Distribution per Unit (DPU) cpu (allotment on 9 October 2013)</b>	<b>10.9</b>
<b>DPU Yield</b>	<b>10.0%</b>

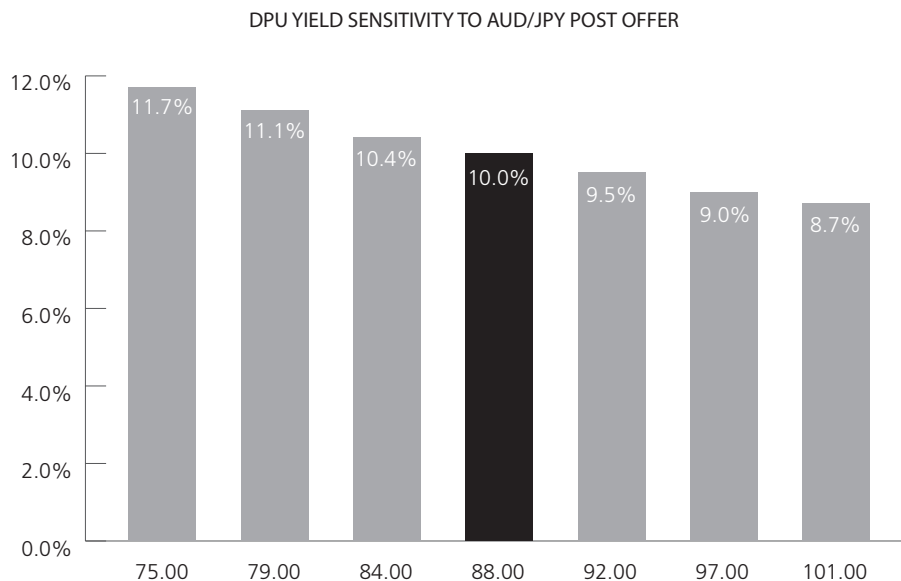
This Pro forma forecast Consolidated Income Statement for the year ending 30 June 2014 has been prepared in accordance with GJT's accounting policies as disclosed in its financial reports, which are available on the GJT website ([www.galileofunds.com.au/Japan/](http://www.galileofunds.com.au/Japan/)), and by applying the following assumptions:

- Pro Forma adjustments have been made for the following items to show the impact of the Proposal assuming it was effective on 1 July 2013:
  - Finance costs have been calculated based on the new financing terms as discussed in Section 2 of the Explanatory Memorandum.
  - Fund management fees have been calculated based on the reintroduction of the base responsible entity fee as discussed in Section 5.9 of the Explanatory Memorandum.
  - Other expenses have been calculated based on the cessation of the GJFML cost recovery as discussed in Section 5.8 of the Explanatory Memorandum.
- Unrealised gains and losses on investment properties and financial instruments have been excluded as there is no reasonable basis to forecast these amounts (however they will be recognised in the statutory financial statements at 30 June 2014).
- A constant exchange rate of A\$1 = ¥88 for the year ending 30 June 2014.

The earnings and distribution per Unit above have been calculated assuming the Proposal takes effect from 1 July 2013. The actual earnings and distribution per Unit will depend on the date of allotment of New Units. Please refer to the Investor Presentation for a reconciliation of the FY2014 Pro forma forecast Consolidated Income Statement to the forecast statutory net income that assumes the Proposal takes effect from 9 October 2013. Assuming an allotment date under the Offer of 9 October 2013 and a constant exchange rate of \$1=¥88, the distribution per Unit for the year ending 30 June 2014 is expected to be 10.9 cents per Unit, which equates to an annualised DPU yield of 10.0%.

# Schedule 1 – FY2014 Pro forma forecast Consolidated Income Statement (continued)

Below is a chart that shows the annualised DPU sensitivity to movements in the AUD/JPY exchange rate post the implementation of the Proposal.



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