



Galileo Japan Funds Management Limited
(ACN 121 567 244) (AFSL 305 429)
as Responsible Entity for Galileo Japan Trust
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ASX / Media Release

Please find attached a Galileo Japan Trust (ASX code: "GJT") announcement relating to a proposal to recapitalise GJT.

Investor enquiries:

Peter Murphy
Chief Operating Officer
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About Galileo Japan Trust

The Trust is listed on the Australian Securities Exchange with an indirect interest in a portfolio of 21 Japanese real estate investments valued at approximately ¥57.38 billion (approximately A\$652 million)¹ as at 30 June 2013. The portfolio is diversified by both sector and geography, however, retains a bias to Tokyo.

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

¹ All conversions between Australian Dollar and Japanese Yen assume a AUD/JPY exchange rate of ¥88.0 unless otherwise indicated.

9 September 2013

GALILEO JAPAN TRUST (GJT): PROPOSAL TO RECAPITALISE GJT

Galileo Japan Funds Management Limited (**GJFML**), as responsible entity for the Galileo Japan Trust (**GJT** or **Trust**), today announces a proposed recapitalisation of the Trust in order to stabilise its capital structure and allow for the reinstatement of distributions (the **Proposal**).

The Proposal comprises:

1. An institutional placement of GJT units (**New Units**) at \$1.50 (**Offer Price**) to raise approximately A\$153.0 million² (the **Offer** or the **Institutional Placement**)
2. 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**)
3. Issuance of new Eurobonds by the Japanese TK business to raise ¥6.0 billion (A\$68.2 million)
4. Refinancing of the existing Senior Loan with a new ¥30 billion (A\$340.9 million) 5 year debt facility

Key benefits of the Proposal to GJT unitholders (**Unitholders**) include:

- Allow the reinstatement of distributions
- Reduction in gearing from 81.9% to 58.2%
- Repayment of Mezzanine and Convertible Eurobonds
- Repayment of the FX Loan at a discount of 68.1% to face value
- Stabilised balance sheet with no loan maturity scheduled in the next 5 years

The committee of Independent Directors of GJFML (the **Committee**) has explored and considered a number of capital management alternatives to recapitalise the balance sheet and preserve value for Unitholders. As a result of this process, the Committee has taken the view that the Proposal is preferable to other alternatives as it represents a comprehensive solution for GJT and has a lower execution risk for delivering an acceptable outcome to existing Unitholders. The decision to proceed with the Proposal was determined by the Committee to be in the best interests of all Unitholders.

Commenting on the Proposal Peter Murphy, Chief Operating Officer of GJFML and a member of the Committee, said: "The Proposal effectively represents a relaunch of GJT and will allow distributions to be reinstated, stabilises the balance sheet and provides an attractive investment opportunity for both existing and new investors alike. Following implementation the earliest loan maturity will be October 2018 and 83% of debt will have a fixed cost for a minimum of 5 years with no LTV covenants or principal amortisation."

"GJT's diversified portfolio of Japanese real estate assets has demonstrated stable revenues over an extended period and has averaged an impressive 97.7% occupancy rate over the last 5 years despite more challenging market conditions."

"With the Japanese government implementing a range of strategies to stimulate economic growth and inflation, improving real estate market fundamentals and Tokyo winning its bid to host the 2020 Olympic Games the period ahead looks positive for Japan."

² 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

Mr Murphy noted “Based on the Offer price of \$1.50 New Units in GJT are forecast to provide a FY14 annualised DPU yield of 10% that will be 100% tax deferred”.

The Institutional Placement and Related Party Placement are both subject to the approval of Unitholders which will be sought at an extraordinary general meeting to be held on 2 October 2013 (the **Meeting**) (refer to the Notice of Meeting and Explanatory Memorandum (**Notice**) despatched to Unitholders on 9 September 2013).

An Investor Presentation in relation to the Offer has also been released to the market today, which will facilitate the Institutional Bookbuild for the Offer 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 for the Offer is successful, settlement of the Offer will then be underwritten by Macquarie Capital (Australia) Limited and Moelis Australia Advisory Pty Limited.

The Institutional Placement will be conducted at an Offer Price of A\$1.50 which is forecast to deliver:

- FY14 pro forma forecast EPU yield of 11.0%
- FY14 pro forma forecast DPU yield of 10.0%
- 30.6% discount to pro forma NTA of A\$2.16 per unit
- 100% premium to the \$0.75 per unit closing price of units on ASX on 6 September 2013

The indicative timetable for the Proposal is set out below:

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), on Monday, 30 September 2013
Meeting held to approve Proposal	10:00am (AEST), on 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



Unitholders and potential eligible investors in the Institutional Placement are strongly encouraged to read the materials provided by GJFML in relation to the Offer, including the Notice of Meeting, Explanatory Memorandum and Investor Presentation.

If you have any further 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 (Sydney time) Monday to Friday between 9 September 2013 and 2 October 2013.

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