Galileo Japan Funds Management Limited
(ACN 121 567 244) (AFSL 305 429)
as Responsible Entity for Galileo Japan Trust
(ARSN 122 465 990)

Level 9,1Alfred Street
Sydney NSW 2000 Australia
GPO Box 4760 Sydney NSW 2001
Telephone: (02) 9240 0333
Facsimile: (02) 9240 0300
ASX Code: GJT
Website: www.galileofunds.com.au

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ASX / Media Release

GALILEO JAPAN TRUST - FY14 INTERIM RESULTS

Please find attached a Galileo Japan Trust (ASX code: "GJT") announcement relating to the Trust's interim financial results for the half-year ended 31 December 2013.

Investor and media enquiries:

Peter Murphy
Chief Operating Officer
Phone: +61 2 9240 0308

Neil Werrett
Managing Director & Chief Executive Officer
Phone: +61 2 9240 0303

About Galileo Japan Trust

The Trust is listed on the Australian Securities Exchange with an indirect beneficial interest in a portfolio of 21 Japanese real estate investments valued at approximately ¥57.6 billion (approximately $612.7[1] million). The portfolio is diversified by both sector and geography while retaining a strong bias to Greater Tokyo.

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

[1] AUD/JPY exchange rate ¥93.95 as at 31 December 2013.

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JAPAN TRUST

27 February 2014

GALILEO JAPAN TRUST - FY14 INTERIM RESULTS

Galileo Japan Funds Management Limited ("*GJFML*", "the Responsible Entity"), the responsible entity for the Galileo Japan Trust ("*GJT*" or "*Trust*"), today announced the Trust's interim results for the half-year ended 31 December 2013.

Key points relating to this announcement are summarised below:

- In October 2013 a recapitalisation was successfully completed simplifying the capital structure, reducing gearing, reducing the average cost of the TK business borrowings and allowing for the reinstatement of distributions to unitholders
- Net property income ("NOI") for the period from allotment of new units (10 October 2013) to 31 December 2013 was 2.3% higher than the September 2013 Explanatory Memorandum ("EM") pro forma forecast ("EM forecast")
- GJFML confirms the Japanese TK business is well positioned to deliver both earnings and distributions consistent with the EM forecast subject to no adverse movement in the AUD/JPY exchange rate
- Funds from operations ("FFO")[2] showed a gain of A$5.9 million (equating to $0.11 per unit) versus a gain in previous corresponding period ("pcp") of A$4.2 million ($0.51 per unit)[3]
- Gearing was 57.5% as at 31 December 2013 versus 81.9% as at 30 June 2013 and 58.2% in the EM
- Portfolio value as at 31 December 2013 of ¥57.6 billion (A$612.7 million), reflecting an increase of 0.3% from 30 June 2013
- Net asset value ("NAV") of A$229.0 million ($2.15 per unit) at 31 December 2013 compared to the pro forma NAV in the EM of $2.16 per unit
- Portfolio occupancy as at 31 December 2013 was 97.8%. (99.0% at 30 June 2013)

Financial Performance

The Trust today announced an underlying FFO gain of $5.9 million ($0.11 per unit) for the half-year ended 31 December 2013, versus pcp gain of $4.2 million ($0.51 per unit). The primary reason for the improvement was a reduction in overall borrowing costs resulting from the TK business refinancing its borrowings as part of the October 2013 recapitalisation.

An interim distribution for the six months ended 31 December 2013 of 3.5 cents per unit will be paid on 28 February 2014. The distribution is 2.9% higher than the EM forecast due to favourable movement in the AUD/JPY spot rate at the time the Japanese yen relating to the 31 December 2013 distribution was translated into Australian dollars.

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[2] Funds from operations represents net profit attributable to unitholders adjusted for unrealised gains and losses, debt forgiveness and amortisation expense

[3] The Trust completed a recapitalisation and issued 98.3 million new units on 10 October 2013 increasing the weighted average number of units on issue to 52,468,216 for the period

October 2013 Recapitalisation

In October 2013 a recapitalisation was successfully completed that resulted in a simplified capital structure of the Trust and the Japanese TK business, a reduction in gearing, a reduction in the average cost of the TK business borrowings, an extension of the senior loan facility and allowed for the reinstatement of distributions to unitholders.

The key components of the recapitalisation are outlined below:

i. Institutional book build that raised $147.5 million through the allotment of 98,333,333 units

ii. Issue of new Eurobonds
The Japanese TK business issued new Eurobonds with a par value of ¥6.12 billion (A$67.0 million) at an issue price of ¥6.00 billion (A$65.7 million). These Eurobonds have a seven year term and a fixed interest rate of 8% per annum on the par value.

iii. Refinancing of the senior loan
The Japanese TK business made a principal repayment of ¥6.45 billion (A$70.6 million), including accrued interest thereon and the senior loan was refinanced on more favourable terms than those under the old facility, which include:

   a) Extending the maturity date from March 2014 to October 2018
   b) Reducing the interest margin from 1.75% to 1.25%; and
   c) Removing the principal amortisation requirement during the remaining term of the loan

iv. Repayment of borrowings

   a) Repaying in full the mezzanine Eurobonds
   b) Repaying in full the convertible Eurobonds; and
   c) Repaying in full the foreign currency loan at a discount to par of 68%.

Balance Sheet

The recapitalisation has resulted in a stable balance sheet for the Trust and has significantly reduced the amount of borrowings in the TK business. The NAV of the Trust at 31 December 2013 is $2.15 per unit, which is consistent with the pro forma NAV in the EM of $2.16 per unit. Gearing as at 31 December 2013 is 57.5% compared to 58.2% in the EM.

Property Revaluations

The Japanese asset manager appointed an independent valuer to revalue seven assets in the property portfolio as at 31 December 2013, representing approximately 42% of the portfolio by value. The overall increase in fair value for these assets was 0.75% or ¥180 million relative to the fair value as at 30 June 2013. Four of the assets valued independently showed an increase in fair value with the remaining three retaining their fair value from 30 June 2013.

Directors' valuations on the balance of the portfolio (14 assets) resulted in no movement from fair values reported at 30 June 2013. The combined impact of independent and Directors' valuations was an increase in fair value of ¥180 million or 0.3% compared to 30 June 2013.

The weighted average capitalisation rate for the portfolio overall equates to 6.02% compared to 6.06% as at 30 June 2013. Capitalisation rates and assessed market rentals remain relatively unchanged. Valuations appear to have stabilised over the past 12 months.

Portfolio Performance

Underlying property portfolio occupancy fell to 97.8% as at 31 December 2013 (99.0% at June 2013).

Net property income on a like-for-like basis was 6.2% lower in ¥ terms compared to pcp.

This reduction in NOI was foreshadowed in the EM forecast and relates primarily to re-leasing space at La Park Kishiwada SC which was vacated in July 2013. The vacated area at La Park Kishiwada is now subject to leases or tenant pre-commitments covering 95% of the space.

In the office portfolio new and renewed leases for the period equate to 3,910 square metres or approximately 15% of the total office portfolio net rentable area. The overall change in passing rent for this space was a 1.1% reduction.

The proportion of the portfolio represented by "non-cancellable" leases is currently 39% (by income) with the weighted average lease term to maturity on these leases approximately 9.5 years.

Mr Peter Murphy, Chief Operating Officer of GJFML said "The portfolio continues to perform in line with expectations. Overall, rents appear to have stabilised and with market fundamentals, particularly in Tokyo office improving, the outlook for net property income and underlying valuations is more positive".

Outlook

Post the October 2013 recapitalisation the Trust and Japanese TK business have a stable capital structure.

The Japanese asset manager has advised it will continue to explore opportunities to enhance value through:

i. increasing portfolio NOI as market conditions improve, particularly in relation to the Tokyo office portfolio

ii. the potential sale of smaller non-core assets in circumstances where an opportunity exists to recycle that capital to enhance portfolio characteristics and/or unitholder returns

iii. the buy-back of units subject to generating proceeds from the potential sale of non-core assets

GJFML confirms the Japanese TK business is well positioned to deliver both earnings and distributions consistent with the EM forecast subject to no adverse movement in the AUD/JPY exchange rate.

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