Astro Japan Property

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AGM ADDRESS TO SECURITYHOLDERS

Please find attached the Address to Securityholders to be delivered by the Chairman and the Senior Advisor at today's Annual General Meeting.

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About Astro Japan Property Group (AJA)

Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 40 retail, office and residential properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

AJA is a stapled entity comprising Astro Japan Property Trust (ARSN 112 799 854) and Astro Japan Property Group Limited (ABN 25 135 381 663). For further information please visit our website: www.astrojapanproperty.com.

Astro Japan Property Group (AJA) - 2012 Annual General Meeting

Chairman's and Senior Advisor's Address

Chairman's Address – Allan McDonald

Last year, both Eric Lucas, Senior Advisor to the Astro Group, and I explained the importance of capital management to the Astro Group, and in particular foreshadowed that the key focus in 2012 would be the maturing of loans for two of the property owning Japanese special purpose companies, JPT Direct and JPT August (JPTD and JPTA). These two loans represented the final tranches of pre-GFC debt to be re-financed, all other pre-GFC debt having already been successfully re-financed.

In this regard, you will have seen that during the year we announced that we reached agreement with the common lender to JPTD and JPTA dealing with the maturities of the JPTD and JPTA loans. Under this agreement, which provided a road map for Astro to settle debt obligations covering up to 11 of the 14 JPTD and JPTA properties during a standstill period, we have already achieved settlement in relation to 3 of the 14 properties and are currently pursuing a transaction also to refinance and retain 8 of the remaining 11 properties prior to 31 December 2012.

We hope that we will be successful in retaining these additional 8 properties. Details of the specific terms regarding these arrangements will be outlined by Eric in his address.

Subsequent to the end of the year, we were pleased to have executed the major documents for the refinancing of the ¥12.4 billion senior loan to JPT with a new five year financing of ¥13.5 billion on favourable terms. Eric will provide further detail on this but I would like to comment that this refinance has been pro-actively negotiated, with the current loan not having been due to expire until March 2015. This illustration of proactively managing capital amply demonstrates the Group's strategy of seeking to take advantage of improving debt markets and asset liquidity in Japan to increase cashflow and returns.

A key focus continues to be the Group's capital structure with the aim to further strengthen and improve the efficiency of our capital usage. In this regard, we are looking to release capital for the purposes of more efficient reinvestment, debt reduction, security buy-backs and capital return by improving debt terms and selling more assets where appropriate. As part of this management process all remaining capital hedges were terminated during the year.

For the year ended 30 June 2012 we continued to see stable capitalisation rates with the moderate reduction in the value of the property portfolio being mainly attributable to pressure on actual and assumed market rents. Despite a decline in property performance and value, leasing activity remained strong with a marginal increase in occupancy and a fall in lease cancellations. However, we remain in uncertain times, with both net property income and asset values affected by global issues.

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We recognise that Securityholders want continuity of the highest prudent level of distributions and we endeavour to deliver distributions within the bounds of a responsible capital management programme. We have previously announced that we expect distributions for 2013 to be 15 cents per security with further consideration of the level of distributions dependent on the outcome of the transaction concerning the 8 JPTD/JPTA properties, which will become clear prior to December 31.

I would like to welcome our two new independent directors, Mr Doug Clemson and Ms Kate McCann, to their first Astro Japan Property Group Annual General Meeting. Both Doug and Kate joined the Group on 31 December 2011 and have each in their own way made important contributions to the Board. Resolutions to appoint both Doug and Kate, and the re-election of Mr John Pettigrew are included as part of the formal business of today's meeting. The Board unanimously recommends Doug and Kate's appointment and the re-election of John.

Lastly, I would also like to thank my Board colleagues and the management team, together with our Japan Asset Manager, for their hard work and commitment during the year.

Before moving to the formal business of the meeting, let me now hand over to Eric Lucas who will provide further commentary in relation to the Astro Group's operational performance and bring you up to date with subsequent developments.

Senior advisor's address – Eric Lucas

Thank you Allan. Good morning and once again welcome to our 2012 Annual General Meeting.

Firstly I will provide an overview of the Group's operational performance before moving on to detail regarding capital management initiatives.

We reported a net operating profit after tax of A$33.6 million for the full year ended 30 June 2012, 13.0% lower than the prior year, reflecting a decline in net property income and an increase in financing costs.

Net property income declined 6.3% on the prior year in Yen terms, or 5.8% in Australian dollar terms, primarily due to the continuing weak operating environment and softness in market rents.

A statutory net loss after tax of A$44.2 million was reported for the full year, which includes the negative impact of non-operating items of A$58.3 million in downward property revaluations, compared to a A$76.5 million decline in the prior year, and a A$19.5 million loss on derivatives, partly offset by A$2.3 million foreign exchange gains.

Following the two semi-annual independent assessments of the values of the Group's portfolio of interests in 40 properties, of which approximately 68% are located primarily in the Central and Greater Tokyo area, the fair value of the portfolio declined to ¥98.3 billion following adjustments of ¥2.0 billion at 31 December 2011 and ¥2.4 billion at 30 June 2012, and the asset sale in May of Shiba Daimon of ¥847 million (book value). However, due to the strengthening of the Yen against the Australian dollar over the year, the value of the portfolio increased by $12.4 million to $1.21 billion in Australian dollar terms.

Whilst we were disappointed to see values fall, we are pleased to see that valuations are showing signs of stabilisation, with valuer average capitalisation rates around 5.6% remaining virtually unchanged for all valuation cycles since 30 June 2010. Portfolio occupancy by area has also remained high at over 95%, reflecting a focus on keeping and finding tenants even if at the expense of rental levels in the short term.

During the year all of the expired leases, equivalent to 16% of total portfolio income, were renewed by existing tenants, with all but one lease renewed at rent equal to previous rents. We also experienced a sharp fall in lease cancellations as a percentage of net rentable area, returning to pre-financial crisis levels. Total decline in portfolio income due to cancelled leases and leases replaced at lower rents is equivalent to 1.1% of portfolio income. Including leases for which rent changed during the lease term, total rent decline in the portfolio income was 2.7%.

The Astro Group portfolio is characterised by diverse property cashflows having a balance between retail and office with a small residential component, a predominance of assets located within the Greater Tokyo area, and a combination of longer-term, non-cancellable leases and 'standard' leases which are cancellable usually on several months' notice.

During the year we completed the elimination of our capital hedges, a process which we commenced in 2008. This means that the Australian dollar value of the Group's Yen denominated assets will now benefit fully from any weakness of the Australian dollar against the Yen, and conversely that the Australian dollar value of our assets will decline should the Australian dollar strengthen against the Yen.

We are extremely pleased to have been able to meet all these capital hedge obligations in full and to have earned substantial positive cash returns from these hedges over the life of the programme. This structural change makes the Astro Group a more straightforward exposure to the fortunes of the Japanese economy, property market and currency and it removes any perceived risk around the capital structure arising from these hedges, reflecting the swing in investor sentiment against such currency hedging since the GFC.

I believe the 2012 year, has, in many ways, been a watershed year for the Group. As the Chairman noted, after a very lengthy and complicated negotiation, we were able to reach a standstill agreement with the lender to JPT Direct and JPT August which provided an agreed path for Astro to settle debt obligations covering up to 11 of the 14 JPTD and JPTA properties. As was announced last week, we have already achieved settlement in relation to 3 of the properties and are currently pursuing a transaction also to refinance and retain the remaining 8 properties prior to 31 December 2012. I will provide some more detail on that transaction shortly.

Once we reach an outcome with regard to JPTD and JPTA we will have dealt with all the Group's pre-GFC debt and can look beyond refinancing issues to value-maximising strategies for the Group. Whilst the property performance and overall portfolio value has been, disappointingly, slightly down on last year, stable portfolio occupancy and the sharp decrease in lease cancellations together with increasing signs of stabilisation in values are positive signs. So, in addition to striving to achieve the optimal outcome with respect to the JPTD and JPTA assets, our major attention can now turn to improving debt terms where possible for the rest of the portfolio. We will also have an increased focus on asset sale activity, especially of smaller, non-strategic assets.

As touched on by the Chairman, in June 2012, terms of an agreement were reached with the common lender to JPTD and JPTA regarding a transaction dealing with the maturities of the ¥14.7 billion loan to JPTD and the ¥18.5 billion loan to JPTA. Both of these loans matured earlier this year.

The common lender originally agreed to a standstill under the loan arrangements until 31 October, and we have made steady progress to satisfy the conditions to completion of a property transaction involving 10, or at our option 11, of the 14 properties in JPTD and JPTA. If all conditions of the property transaction are satisfied, including the Astro Japan Group obtaining funding on satisfactory terms to make payment of a settlement price of ¥12.3 billion, the 11 properties will remain within the Group portfolio.

In any event, should the property transaction not proceed and provided certain conditions are satisfied, the lender will release all claims it has against the Group to contribute equity to fund security deposit repayments to tenants in respect of the 14 properties in JPTD and JPTA. The principal conditions are that the lender must receive payment of ¥400 million well as the cash which had been expected to be in JPTD's and JPTA's bank accounts as at 31 July. Both amounts have now been received by the lender.

We have, in the past couple of weeks, agreed that the settlement price for the 11 properties be allocated between two pools of 3 and 8 properties respectively, and to pursue a two stage settlement process, extending the standstill period.

In consideration of the injection of ¥600 million, that is approximately $7.2 million, in equity, which we made on 6 November 2012, the existing lender agreed to allocate a loan of ¥2.12 billion, approximately $25.5 million, secured by 3 of the 11 properties for the period until 31 October 2013.

During the 12 month extended loan period for these 3 properties we will seek to either refinance the loan with longer term debt or dispose of some or all of the properties.

The 3 properties, Matsudo Nitori, Yoshikawa and Sekijomachi, will continue to be part of the Group's property portfolio and have a current book value of approximately ¥5.0 billion or approximately $60.2 million.

The existing terms of the loan remain unchanged and terms of the existing standstill under the loan arrangements relating to these properties will apply during the loan term. In the event the 8 property transaction does not proceed by the deadline of December 31, the principal amount of the loan will increase to ¥2.32 billion on 1 January 2013, however otherwise this revised financing will remain in place unaffected by whether or not the closing for the 8 property transaction occurs.

With regard to the remaining 8 properties, that have a current book value of approximately ¥14.2 billion or approximately $171.1 million, the lender has agreed to an extension of the standstill under the loan arrangements until 15 December 2012, which we are able to extend to 31 December 2012 at our option, to enable additional time to resolve issues relating to funding of these 8 properties.

During the extended standstill period if the lender receives a further net payment of ¥10.14 billion, approximately $122.2 million, subject to adjustment for ongoing items such as interest and property income expenses, then it will release its security over the 8 properties, and those properties will continue to be part of the Group's portfolio.

In the case where the balance of the Settlement Price is not paid by the December deadline, the transaction for the 8 properties will not proceed, these properties will be taken over by the lender and will cease to form part of AJA's portfolio.

Consistent with our earlier agreement, in the case where the remaining 8 property transaction does not proceed, and certain conditions are satisfied, the lender will release all claims it has against the Astro Japan Group to contribute equity to fund security deposit repayments to tenants in respect of the JPTD and JPTA properties.

We are pleased an outcome has now been reached with the lender which ensures that, at the very least, 3 properties in JPTD and JPTA will continue to be part of our portfolio. We are also pleased to have secured an extension of the period of time available to finance the remaining 8 properties and we will continue to use our best efforts to finalise that financing on suitable terms.

Although the final outcome of the transaction in relation to the remaining 8 properties is uncertain as it is dependent on us being able to close funding on satisfactory terms within the extended standstill period, we have a clear quantifiable outcome for Securityholders, which is a significant step forward from where we stood 12 months ago.

I would now like to update you on the JPT financing. JPT is one of the special purpose companies through which the Group invests and it holds approximately 25% of the Group's portfolio. As outlined by the Chairman, in October we executed the major documents for the refinancing of the ¥12.4 billion senior loan to JPT with a new five year financing of ¥13.5 billion from two major Japanese banks. One lender will make a senior loan of ¥13.0 billion to which the other lender's ¥500 million participation will be subordinated. Once completed, this re-financing will result in material reductions in both interest costs and amortisation, and the additional funding raised from the financing will be mainly used to collateralise unfunded tenant security deposits.

The documentation for the new financing includes a number of conditions to be satisfied prior to completion of the refinancing and therefore completion cannot be certain, however, there is no reason to expect that these conditions cannot be satisfied. Completion is expected within the next few weeks potentially extending into December.

As detailed in our October announcement, the reduction in interest costs and the reduced level of amortisation from this refinancing are expected to improve our 2013 cash flow by approximately 8.1 cents per security or by 10.8 cents per security on a full year, pro-forma basis.

As I mentioned earlier, having largely completed in the last 12 months the long task of dealing with pre-GFC capital structure issues, we are looking forward to now finally being able to focus on opportunities to enhance portfolio and capital performance, with such initiatives as refinance where possible with lower amortisation, as well as asset sales, especially of smaller, non-strategic assets.

We intend to pay particular attention to opportunities to release capital from debt structures where high interest / amortisation requirements create sub-optimal returns and to make that capital available for more efficiently leveraged investment, debt reduction, distribution increase, capital return and or security buy-backs.

Finally, I would like to thank you once again for your ongoing support of and interest in the Astro Group. I would now like to hand back to the Chairman to conduct the formal proceedings of today's meeting.