

11 April 2017

ACQUISITION COMPLETED OF FKD SHOPPING PLAZA

Astro Japan Property Group (ASX: AJA) refers to its announcement dated 29 March 2017 regarding the signing of contracts for its investment in a shopping mall for ¥10 billion (A\$120.5 million approximately at A\$1=¥83), and confirms that financial close of this transaction has now been completed.

The property is the FKD Shopping Plaza Utsunomiya, located in Utsunomiya City, the capital of Tochigi Prefecture and the largest city in the North Kanto region, approximately 100 kilometres north of Tokyo, around one hour by train.

The Plaza was acquired from and will be leased back to Fukudaya, the largest local retailer in the North Kanto Region, under a 30 year lease with a 10 year non-cancellable period. Fukudaya originally built the property in 1994 and the property was expanded in 1998 and 2001 and has been extensively refurbished in the last 2-3 years. Fukudaya remains the operator of the mall, with its own five level department store with approximately 80 specialty store tenants in the adjoining mall leasing space from Fukudaya. Under the new master lease Fukudaya is responsible for all property expenses, including property taxes, other than major structural capital expenditure, if required. Details of the property are set out below.

The acquisition price of ¥10 billion represents a discount of approximately 2% to the independent valuation of ¥10.2 billion. AJA's interest in the shopping mall is held through a new special purpose, property owning Japanese company, Godo Kaisha FKD&S (GK FKD&S).

The investment has been funded with ¥8 billion of new debt provided by two lenders, an international lender taking a senior position and a Japanese financier taking a junior position. The tenor of the debt is 8 years. The senior loan has annual amortisation of ¥65 million, which will be eliminated upon repayment to the lender of ¥576 million, expected to be made from a refund of that amount of consumption tax due to GK FKD&S within 6 months. The balance of the purchase price, plus costs, was funded by an equity investment from AJA of ¥3.26 billion (A\$39.3 million) from its surplus cash.

The Plaza has an initial estimated average NOI yield of 5.1% on the acquisition price.

Mr Eric Lucas, Senior Advisor to AJA, said "This acquisition and lease back has been patiently negotiated on a bilateral basis and provides further investment into the retail sector at a time when Japan is finally experiencing some growth in nominal prices. AJA will have the benefit of a lease to a strong and experienced operator/tenant. This, plus the competitiveness of the centre in its market and the conservative rent setting, is expected to provide cash flow security over the long term."

Astro Japan Property Group

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"Together with the recently announced investment in the hotel in Fukuoka, virtually all AJA surplus cash has now been invested. We thank investors for their support while we have achieved this goal."

"On an annualised basis, these two acquisitions are expected to generate additional underlying pro-forma after-tax earnings of approximately 6.6 cents per security, increasing to 6.9 cps in FY 2021, with an expected increase in pro-forma annual distributable cash of 6.4 cps, rising to 6.7 cps."

The Property

Key property information is as follows:

	<p>FKD Shopping Plaza Utsunomiya</p> <p>Address 237 Imaizumicho, Utsunomiya, Tochigi Approximately 2 km from JR Utsunomiya Station</p> <p>Sub-market Utsunomiya City</p> <p>Property type Retail</p>																																
<p>KEY PROPERTY STATISTICS</p> <p>Acquisition summary</p> <table border="0"> <tr> <td>Ownership interest</td> <td>100%</td> </tr> <tr> <td>Purchase price (¥ million)</td> <td>10,000</td> </tr> <tr> <td>NOI yield</td> <td>5.1%</td> </tr> <tr> <td>Year completed</td> <td>Initial September 1994</td> </tr> <tr> <td></td> <td>1st Expansion February 1998</td> </tr> <tr> <td></td> <td>2nd Expansion January 2001</td> </tr> <tr> <td>PML</td> <td>2.8%</td> </tr> </table> <p>Independent valuation</p> <table border="0"> <tr> <td>Valuer</td> <td>Japan Valuers</td> </tr> <tr> <td>Valuation (¥ million)</td> <td>10,200</td> </tr> <tr> <td>Direct capitalization rate</td> <td>4.7%</td> </tr> <tr> <td>Terminal yield</td> <td>4.9%</td> </tr> <tr> <td>Discount rate</td> <td>4.5%</td> </tr> </table>	Ownership interest	100%	Purchase price (¥ million)	10,000	NOI yield	5.1%	Year completed	Initial September 1994		1st Expansion February 1998		2nd Expansion January 2001	PML	2.8%	Valuer	Japan Valuers	Valuation (¥ million)	10,200	Direct capitalization rate	4.7%	Terminal yield	4.9%	Discount rate	4.5%	<p>Property statistics</p> <table border="0"> <tr> <td>Land area (sqm)</td> <td>37,337</td> </tr> <tr> <td>NRA (sqm)</td> <td>86,939</td> </tr> <tr> <td>Parking for 2,500 cars</td> <td></td> </tr> <tr> <td>5 floors above ground</td> <td></td> </tr> </table>	Land area (sqm)	37,337	NRA (sqm)	86,939	Parking for 2,500 cars		5 floors above ground	
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TENANT SUMMARY

Tenant name	Tenant industry	Lease type	% of total rent	Lease expiry date
Fukudaya Co., Ltd	Retail	Normal (with non-cancellable period of 10 years)	100.0%	April 2047

ENDS

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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 28 retail, office, residential and hotel 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.