



Galileo Japan Trust

Proposed sale of the Japanese property portfolio and
return of net proceeds to Unitholders



29 February 2016

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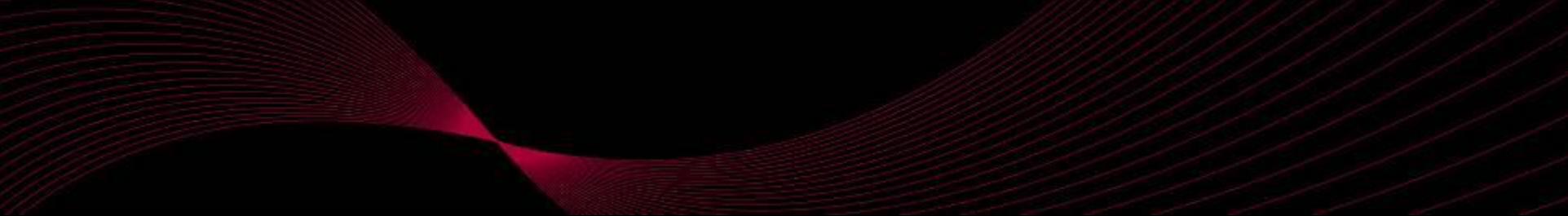
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Section 1

Overview of the Proposal



Proposed sale of Japanese property portfolio – key points

- GJFML announced today that it has entered into a conditional agreement to sell its Japanese property portfolio for ¥57.8¹ billion representing a 2.2% premium to the independent valuation of the portfolio at 31 December 2015 (“Proposed Sale”)
- The Proposed sale is subject to a number of conditions including GJT Unitholder approval and an IPO of a new J-REIT on the Tokyo Stock Exchange (“TSE”) which will purchase 18 of the 19 properties. The remaining property, Utsubo, is expected to be sold separately “as is” on market
- If the Proposed Sale is successful, GJFML intends to distribute the net equity proceeds to Unitholders via the payment of Special Distributions, which are estimated to be \$2.65² per unit, and wind-up the Trust (together with the Proposed Sale, “the Proposal”)
- The Special Distributions represent a 33% premium to GJT’s volume weighted average price for the one month up to and including 26 February 2016 (being the last trading day prior to the announcement)
- The new J-REIT (“Proposed Purchaser”) will be managed and co-sponsored by a (Galileo/Neil Werrett) entity and a TSE listed entity whose core business is real estate related services³
- A committee of independent Directors of GJFML was established to consider the Proposal and unanimously recommends Unitholders vote in favour of the Proposal in the absence of a superior offer
- An independent expert, Deloitte Corporate Finance Pty Limited, has concluded that in its opinion the Proposal described herein is fair and reasonable and in the best interests of the non-associated Unitholders of GJT

Proposed sale price for the Japanese real estate portfolio
¥57.8 billion

Premium to 31 December 2015 Independent Valuation
2.2%

Estimated total Special Distributions to GJT Unitholders
\$2.65² per unit

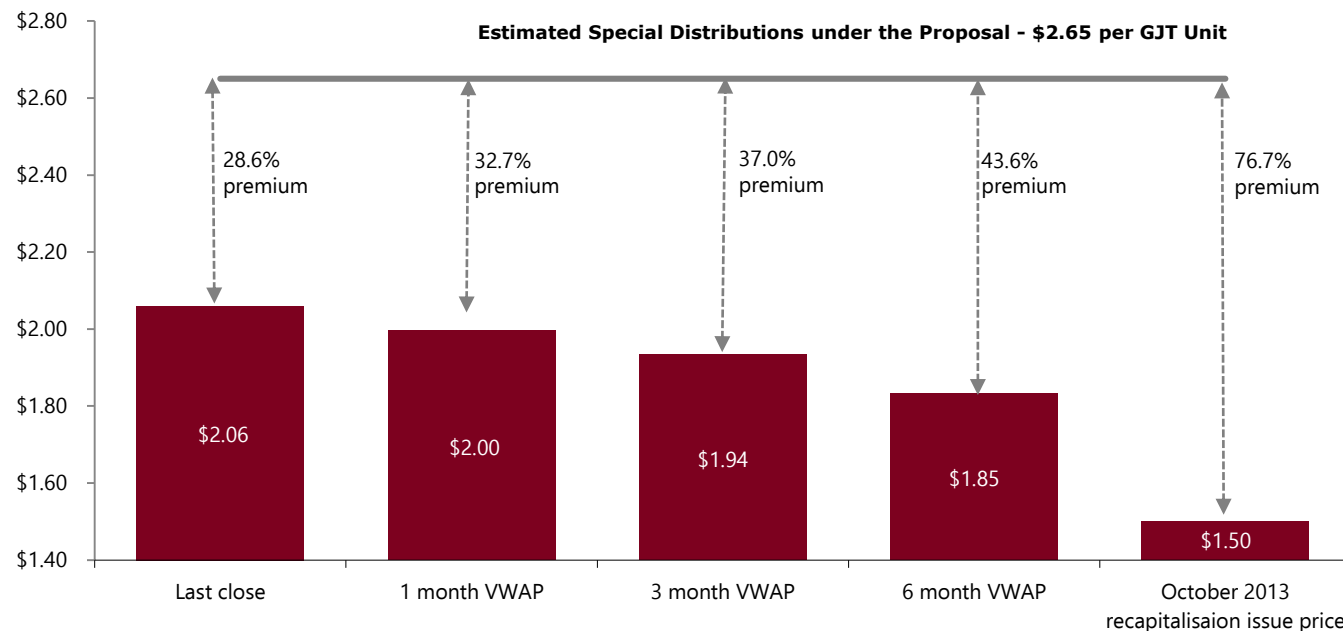
Premium to one month VWAP of GJT units on 26 February 2016
32.7%

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1. Assumes Utsubo is sold on an “as is” basis for ¥0.45bn which is in line with the independent valuation dated 31 December 2015
2. Based on the prevailing AUD/JPY exchange rate on 26 February 2016 (being the last business day before the announcement of the Proposal) of \$1=¥82
3. The TSE listed entity cannot be identified at this point in time as to do so may breach Article 4 of the Japanese Financial Instruments and Exchange Law

Proposal overview

The Proposal, if successful, should deliver Unitholders A\$2.65¹ per unit

The Proposal represents an opportunity for Unitholders to potentially realise a significant premium to both the \$1.50 issue price at the time of the 2013 recapitalisation and trading price since



Source: IRESS

1. Based on the prevailing AUD/JPY exchange rate on 26 February 2016 (being the last business day before the announcement of the Proposal) of \$1=¥82 and assumptions outlined in Section 5 of the Explanatory Memorandum including the successful completion of the Japanese IPO, disposal of Prejeal Utsubo on an "as is" basis for ¥452 million and payment of costs associated with the Proposal and wind up of GJT

Proposal overview (continued)

Proposed Sale

- The Proposed Purchaser of 18 of the 19 properties (IPO Portfolio) held by the TK Business will be a Japanese real estate investment corporation (J-REIT) established for the purpose of acquiring the IPO Portfolio via a capital raising and initial public offering (IPO) and listing on the Tokyo Stock Exchange (TSE) (Japanese IPO), which is indicatively expected around August 2016
- As part of the Proposed Purchaser's due diligence process, engineering reports were commissioned for all 19 properties and it was concluded by two independent specialists that Prejeal Utsubo (Utsubo) did not comply with the Japanese earthquake code relating to building standards. Therefore, absent rectification works, this property, which represents less than 1% of the value of the Japanese Property Portfolio, is currently unsuitable for purchase by a J-REIT
- Initial analysis indicates that it is likely to be in the best interest of Unitholders to sell Utsubo without rectifying the structural deficiency. Therefore, the property has been placed on the market for sale and is expected to be sold prior to the completion of the Japanese IPO for the current independent valuation (¥452 million). In the event that GJKK is unable to realise an acceptable price for the asset "as is" then GJKK will consider alternative options (refer to Notice of Meeting and Explanatory Memorandum Section 8.1(c)) that may involve rectifying the structural deficiency and then re-offer the property for sale
- The asset manager of the Proposed Purchaser of the IPO Portfolio will be a Japanese incorporated asset management company jointly owned by Galaxy (a Galileo/Neil Werrett related entity) and a TSE listed entity whose core business is real estate related services

Proposal

- As soon as practical following the completion of the Japanese IPO, it is currently intended that the vast majority of the net cash proceeds in Japanese Yen will be distributed to GJT and converted into Australian dollars, then such net cash proceeds and cash held by the Trust will be paid to Unitholders via an Initial Special Distribution
- As soon as practical after that, GJT will cease trading and delist from ASX ; and
- Unitholders may also receive an additional, smaller Final Special Distribution in conjunction with the winding up of GJT and cancellation of all units on issue

Ordinary Distributions

- In addition to the Special Distributions associated with the Proposal, the Trust intends to continue to pay ordinary distributions for the period to 30 June 2016 (estimated to be 8.7 cents per unit) and for any period thereafter from 1 July 2016 up until completion of the Proposed Sale

Reasons to vote in favour of the Proposal

The Committee of independent Directors unanimously recommend Unitholders vote in favour of the Proposal in the absence of a superior proposal based on the considerations outlined below¹

Advantages of the Proposal

- ✓ The Proposal, if successful, is expected to result in Unitholders realising a substantial premium to GJT's recent trading price history
- ✓ The Proposal provides for an orderly sale of the entire portfolio in a timely manner
- ✓ If the Proposal completes, the subsequent all-cash Special Distributions to Unitholders will provide liquidity for your GJT Units
- ✓ No real estate brokerage will be paid under the Proposal. In Japan, typically brokerage on the sale of real estate assets ranges from 1.5% to 3%
- ✓ In the absence of a superior proposal, the GJT unit Price is likely to continue to trade below NTA and the estimated value Unitholders would receive upon the successful completion of the Proposal

Disadvantages of the Proposal

- ✗ If Unitholders approve the Resolution, a risk remains that the IPO in Japan may not occur
- ✗ There will be tax consequences for GJT Unitholders which may include tax payable on the Special Distributions
- ✗ Unitholders will lose their exposure to the Japanese portfolio through their investment in GJT

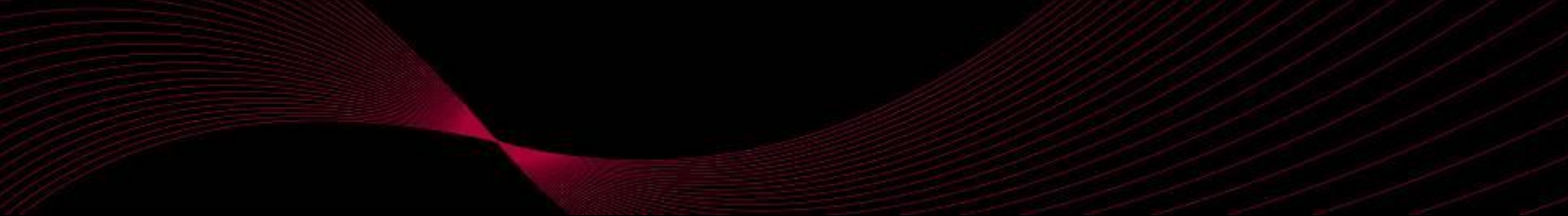
Key conditions and other considerations for Unitholders

There are also a number of conditions and potential disadvantages that Unitholders should be aware of in relation to the Proposal

- The main conditions precedent associated with the Proposal include¹:
 - Unitholder approval
 - The successful completion of an IPO to be undertaken by the J-REIT (Proposed Purchaser) on TSE and completion of the Proposal on or before 31 December 2016
- Other key considerations for Unitholders in relation to the Proposal include:

Break fees and cost reimbursement ²	<ul style="list-style-type: none">▪ GJT will incur certain costs in relation to the proposal which may amount up to ¥200 million (\$2.4m) in circumstances where a majority of the independent directors publicly state that they no longer recommend that GJT Unitholders vote in favour of the Proposal, a competing proposal emerges and a resolution to approve the Proposal is not voted on before 8 April 2016▪ In addition, a break fee of ¥350 million (\$4.3m) (less any amounts already paid by GJT in relation to cost reimbursement) is payable in limited circumstances including where a superior proposal substantially completes on or before 31 December 2016
Exclusivity	<ul style="list-style-type: none">▪ The TK Operator (Vendor) may not actively solicit alternative proposals under the exclusivity arrangement it has entered into with the Proposed Purchaser▪ This does not, however, prevent the Vendor or GJT responding to a competing proposal subject to certain notification rights
Ability to pursue a superior proposal	<ul style="list-style-type: none">▪ If Unitholders approve the Proposal, GJT will lose the opportunity (if any) to consider a superior proposal until after the sunset date of the Proposal being 31 December 2016▪ This does not, however, prevent a superior proposal emerging or being considered prior to the Unitholder Meeting

1. Unitholders should refer to sections 4, 6, 8 and 9 of the Notice of Meeting and Explanatory Memorandum for a full list of conditions precedent and potential advantages and disadvantages in relation to the Proposal
2. Unitholders should refer to sections 8.2 of the Notice of Meeting and Explanatory Memorandum for further information



Section 2

Background to Proposal



Background to Proposal

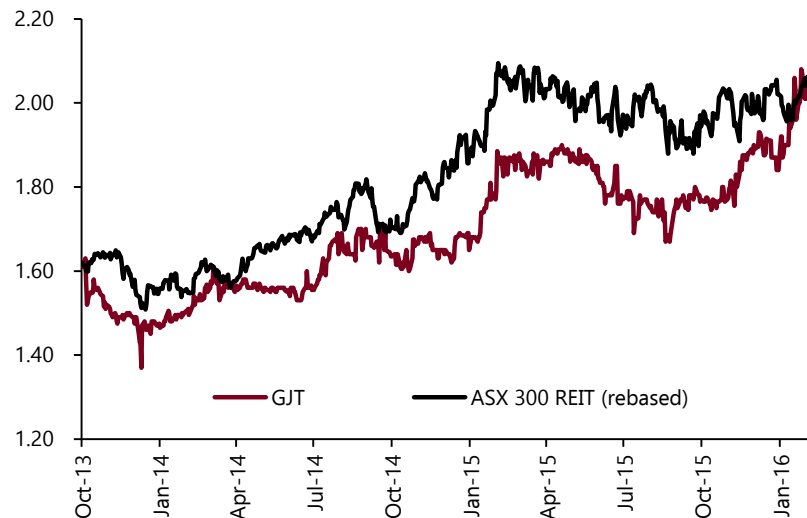
- In October 2013 GJT undertook a recapitalisation to stabilise the Trust's capital structure, which involved the issuance of new units at \$1.50 per unit and new Eurobonds. The pro forma net tangible asset backing at that time was \$2.16
- At the time of the recapitalisation, GJFML and GJKK stated that the primary focus would be to pursue capital management, asset level and other initiatives to close the gap between the trading price of GJT units and NTA per unit
- These proposed initiatives included the following:
 - increasing portfolio net operating income as market conditions become more favourable, particularly in relation to Tokyo office buildings;
 - asset acquisitions or disposals that will enhance both earnings and NTA;
 - potential buyback of GJT Units;
 - actively promoting GJT to prospective investors, the media and analysts; and
 - The possibility of re-domiciling the listing of GJT to Japan or Singapore
- Most of these initiatives have been implemented other than the acquisition of additional assets and the re-domiciling of GJT. The acquisition of additional assets has not been a viable option due to GJT continuing to trade at a material discount to NTA
- In 2014, GJKK also completed an early refinancing of the Eurobonds issued in October 2013 through a combination of asset sales and new mezzanine loans issued on substantially more attractive terms than the Eurobonds
- Notwithstanding the above initiatives, the Unit price has continued to trade at a significant discount to NTA per unit.

GJT performance since recapitalisation in October 2013

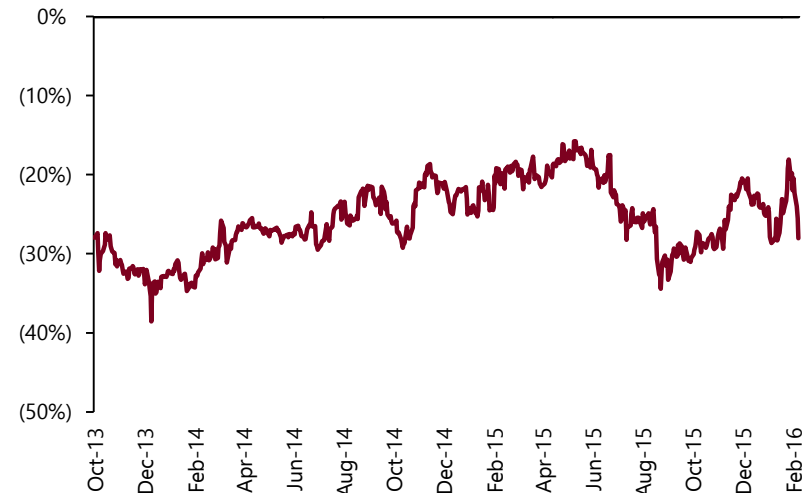
GJT has performed broadly in line with the S&P ASX A-REIT 300 index since the recapitalisation, however, a material gap still exists between the current unit price and NTA

- Strong cash flows and portfolio occupancy has allowed attractive distributions to be paid to Unitholders during this period in addition to the Unit price appreciation shown in graph below
 - 34.1 cents per Unit of total distributions declared and paid since the recapitalisation
 - GJT's average discount to NTA since the October 2013 recapitalisation has been 25% on a currency adjusted basis

Relative trading price performance



GJT Unit price discount to NTA per unit²



Factors restricting GJT's Unit price versus NTA

- There are a number of factors that have, and are likely to continue to impact the ability of GJFML to close the gap between GJT's unit price and NTA per Unit
- These include the following:
 - The appetite for offshore asset exposure via ASX listed REITs remains limited among domestic institutions and Australian retail investors
 - Many investors not seeking exposure to foreign exchange risk
 - GJT's market capitalisation is relatively small and as such this restricts the ability to obtain index inclusion and attract broad interest from institutional investors
 - GJT has a relatively concentrated Unitholder register reducing the liquidity in GJT Units and making it difficult for larger Unitholders to exit their position in a timely manner without significantly impacting the market price
 - The current size of GJT's asset base and the complex management structure in both Japan and Australia make GJT's overheads including management fees, listing and governance costs relatively high compared to larger A-REITs
- GJFML believe GJT is likely to continue to trade at a discount to NTA absent the implementation of this Proposal or a similar alternative proposal

Alternative initiatives and strategies considered by GJFML and GJKK

Initiatives implemented to date

- Since the recapitalisation in October 2013, management's primary focus has been to enhance the free cash coverage of distributions through active asset management and close the gap between the GJT Unit Price and NTA per Unit. GJFML and GJKK have actively pursued the following initiatives during this time:
 - a. increasing portfolio net operating income as market conditions become more favourable, particularly in relation to Tokyo office buildings;
 - b. individual asset acquisitions and sales;
 - c. early refinancing of the Eurobonds issued in October 2013 through a combination of asset sales and new mezzanine loans issued on substantially more attractive terms;
 - d. a buyback of GJT Units; and
 - e. promoting GJT to prospective investors, the media and analysts

- Each of these initiatives have been implemented other than the acquisition of additional assets
 - This initiative has not been a viable option for GJFML primarily due to the fact that GJT has continued to trade at a material discount to NTA which significantly constrains its ability to raise additional equity capital
 - This, in turn, significantly impedes the Trust's ability to competitively acquire new assets

Alternative strategies considered

GJFML and GJKK have considered a number of alternatives in order to maximise value for GJT Unitholders including:

Continuing to actively manage the existing portfolio

- Actively managing the existing portfolio could enable Unitholders to realise upside from potential further improvements in earnings and the Japanese real estate market beyond what is already implied in current independent valuations. Management believe this is unlikely to close the spread between market price and NTA in the medium term

Sale of the entire portfolio to a third party

- Since the recapitalisation of GJT in October 2013, GJKK has engaged with potential third party acquirers in relation to a potential transaction.
- However, interest from all of these parties could be characterised as opportunistic due to the significant discount between GJT's NTA and its Unit price. These parties have been motivated to pursue a transaction at less than NTA but a premium to the prevailing GJT unit price (i.e. less than the price offered under the Proposal)
- Further, GJT has continued to trade at a material discount to NTA since the recapitalisation proposal in October 2013 and no other proposal has emerged to date

An orderly sale of the individual property assets

- GJT has explored the sale of individual asset in recent times and successfully disposed of two non-core industrial assets as part of its Eurobond refinancing initiative, however, a sale of the entire portfolio on an individual asset basis involves significant execution risk and costs including:
 - A sale of all 19 assets in this manner is likely to take considerable time and therefore be subject to potential changes in current market conditions
 - Japanese real estate brokerage fees for asset sales are generally in the range of 1.5% to 3.0% of the sale proceeds
 - the most attractive properties may be able to be sold (on acceptable terms) more readily leaving the relatively less attractive assets which may then be more difficult to find buyers for at fair value on a standalone basis, and
 - if selling assets on a standalone basis results in the market forming a view that the TK Business is a forced or overly keen seller management believe the ability to achieve fair value for individual asset sales and the overall portfolio may be compromised



Section 3

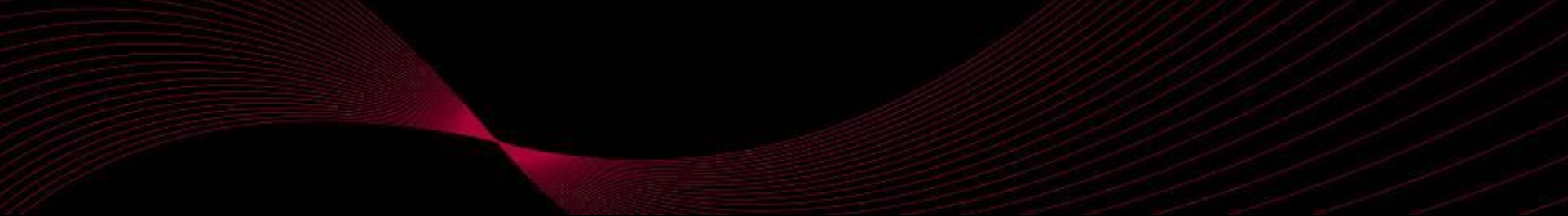
Summary



Summary

The committee of GJFML independent Directors believes the Proposal represents the best opportunity for GJT to realise fair value for its assets and deliver value to Unitholders in accordance with its stated objectives

- The Committee believes that the Proposal is preferable to other alternatives as it provides a complete solution for GJT and delivers an attractive outcome for Unitholders in a timely manner
- Further, the alternative strategies outlined may require, among other things, a number of concessions and approvals from GJKK, the TK Operator and/or the Group's lenders in order to facilitate
- Therefore, the Committee concluded that, in the absence of a superior proposal and consistent with the opinion provided by the Independent Expert, the Proposal provides the best outcome for unitholders and unanimously recommend unitholders vote in favour



Section 4
Indicative timetable



Indicative timetable to unitholder vote

The indicative timetable for the extraordinary general meeting relating to the Proposal is as follows

Announcement of Proposal and Meeting	29 February 2016
Despatch of Notice of Meeting and Explanatory Memorandum	29 February 2016
Last time to lodge Proxy with Registry	12.30pm 21 March 2016
Record date to determine eligibility to vote at the Meeting	7.00pm 21 March 2016
Meeting to be held in relation to the Proposal	12.30pm 23 March 2016

Indicative timetable to completion

Note : these dates are subject to change depending on the occurrence of future events outside of GJFML's control including, among other things, the settlement date of the IPO being undertaken on the TSE by the Proposed Purchaser

Indicative IPO settlement date for the Proposed Purchaser	August 2016
Announcement of completion of Proposed Sale	Immediately following IPO settlement ¹
Announcement of record date for future Special Distributions	Approximately 2 weeks after settlement of IPO (T)
Last day of trading in GJT Units on a 'cum' basis to Initial Special Distribution	T+2 business days
Trading in GJT Units on ASX suspended indefinitely	T+3 business days (or such time as ASX determines)
Record date for Initial Special Distribution	T+5 business days
Payment of Initial Special Distribution	T+20 business days
GJT is delisted	T+21 business days (or such time as ASX determines)
Termination (wind-up) of GJT commences	T+22 business days
Payment of Final Special Distribution (if any)	Following the completion of the winding up of GJT and cancellation of Units