



# Update on proposed sale of the Japanese property portfolio and FY16 Annual Results Presentation

31 August 2016

This presentation is a summary of the annual financial results and should be read in conjunction with the Trust's Update on proposed sale of the Japanese property portfolio and FY16 Annual Results Announcement dated 31 August 2016 and the Financial Report for the year ended 30 June 2016.

## Update on proposed sale of the Japanese property portfolio

- On 23 March 2016, unitholders approved the sale of the Japanese property portfolio, subsequent distribution of net equity proceeds to unitholders and the winding up of GJT. As a result it has been determined that, in accordance with Australian Accounting Standards, GJT's financial statements have been prepared on a liquidation basis as at 30 June 2016
- The Notice of Meeting and Explanatory Memorandum dated 29 February 2016 ("EM") provided that the proposed sale was conditional on the successful listing of a new J-REIT on the Tokyo Stock Exchange ("TSE"). On 5 August a new J-REIT, Sakura Sogo REIT, received approval from the TSE to list its investment units.
- On 31 August 2016, Sakura Real Estate Funds Management Inc. ("SREFM"), the asset manager for Sakura Sogo REIT announced to the TSE the final issue price and number of new securities relating to the proposed IPO. SREFM also confirmed the target listing date of 8 September 2016 and that an underwriting agreement has been executed with SMBC Nikko Securities Inc. Based on the current timetable it is anticipated that GJFML will announce the record date and amount of the initial special distribution in late September 2016.
- The IPO of Sakura Sogo J-REIT remains subject to market and execution risks
- The EM indicated total special distributions of \$2.65 per unit. This amount was determined using the 31 December 2015 balance sheet adjusted for known transaction costs and using the AUDJPY exchange rate of A\$1=¥82.0
- Using the 30 June 2016 balance sheet, which accounts for all known selling costs, an estimate for wind up costs, and applying the AUDJPY exchange rate as at that date (A\$1=¥76.2), the estimated total special distributions equate to \$2.79<sup>1</sup> per unit
- Factors impacting the estimated total special distributions compared to the EM are as follows:
  - favourable movement in the AUDJPY exchange rate (+\$0.20 cpu);
  - earthquake repair works required after the April 2016 earthquake in Kumamoto prefecture of ¥130 million (-\$0.02 cpu);
  - capital expenditure incurred during the six months to 30 June 2016 funded from reserves of ¥120 million (-\$0.02 cpu);
  - unfavourable movement in the interest rate swap in the Japanese TK business of ¥116 million (-\$0.01 cpu); and
  - write off of unamortised debt costs as at 30 June 2016 of ¥105 million (-\$0.01 cpu)
- The actual total of the special distributions remain subject to foreign exchange rate movements and the proposal completing as outlined in the EM
- In addition to the special distributions, the Trust expects to pay an ordinary distribution for the period from 1 July 2016 up until completion of the proposed sale

2 1. \$2.75 per unit based on AUDJPY of ¥77.48 the rate applicable on 31 August 2016

## Annual Results FY16 – Key points

### Financial results for the year ended 30 June 2016

- Funds from operations (“FFO”)<sup>1</sup> for the year ended 30 June 2016 of A\$21.2 million<sup>2</sup> (20.2 cents per unit (“cpu”)) vs A\$15.0 million (14.1 cpu) for the year ended 30 June 2015. FFO for FY15 adjusted for the “one-off” \$5.0 million premium paid to refinance the Eurobonds was A\$20.0 million (18.8 cpu)
- Distribution of 17.4 cpu in FY16, up 16.8% vs FY15 (14.9 cpu). FY16 distribution equates to a yield of 6.5% on the closing price of A\$2.67 on 31 August 2016
- Carrying value of the portfolio was ¥57.36 billion (A\$752.5 million)<sup>3</sup> as at 30 June 2016, an increase of 3.5% over pcp on a “like for like” basis in Japanese Yen terms
- Fair value of investment property represents the agreed sale price outlined in the EM
- Gearing (debt/total assets) was 53.7% at 30 June 2016 vs 54.9% at 30 June 2015
- Net property income (“NOI”) for the year was 0.1% higher than pcp on a “like for like” basis

Distribution per unit  
in FY16

17.4 cents

FY16 DPU yield  
on \$2.67

6.5%

FY16 vs FY15  
DPU

up 16.8%

Increase in portfolio  
book value in FY16

3.5%

Change in gearing  
in FY16

54.9% to 53.7%

1. Funds from operations (FFO) represents net profit attributable to unitholders adjusted for unrealised gains and losses, amortisation expense and one-off costs relating to the proposed sale and wind up funded from working capital or from the sale proceeds
2. Average AUDJPY rate of ¥ 84.98 for the year ended 30 June 2016 (¥ 95.55 for FY15)
3. AUDJPY spot rate of ¥76.23 as at 30 June 2016



## Annual Result FY16 – Key points

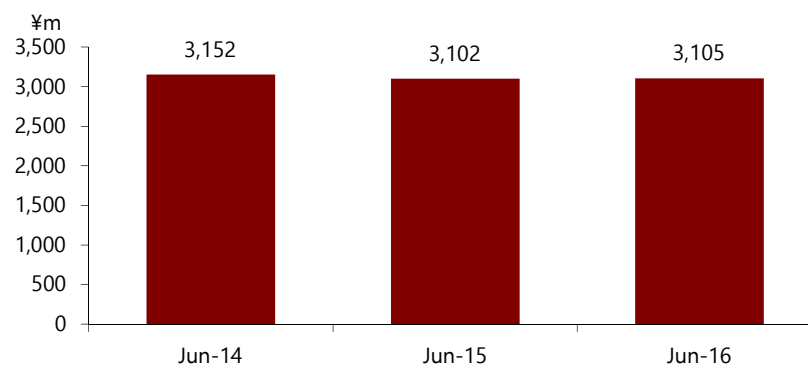
### Property portfolio performance

- Portfolio occupancy as at 30 June 2016 was 96.1% (30 June 2015: 96.0%). GJT's average occupancy since IPO in 2006 has been 97.5%
- Key sectors of office and retail which represent approximately 84% of portfolio NOI demonstrated modest growth over pcp
- Industrial sector NOI was lower vs pcp due to vacancy throughout FY16 at Funabashi Hi-Tech. Commercial terms have now been agreed with a new tenant with lease commencement anticipated in the second quarter of FY17
- Residential NOI was lower than pcp primarily due to lower average occupancy in FY16
- Upward rent revision on six office tenancies during FY16, with an average increase over the previous passing rent of approximately 16%. The area subject to review represents approximately 9% of the total NRA of the office portfolio (refer slide 10)
- The Japanese TK Business sold Prejeal Utsubo on 28 April 2016 for ¥450 million. The sale price was consistent with independent appraisal and the forecast sale proceeds outlined in the EM

## Net property Income (“NOI”)

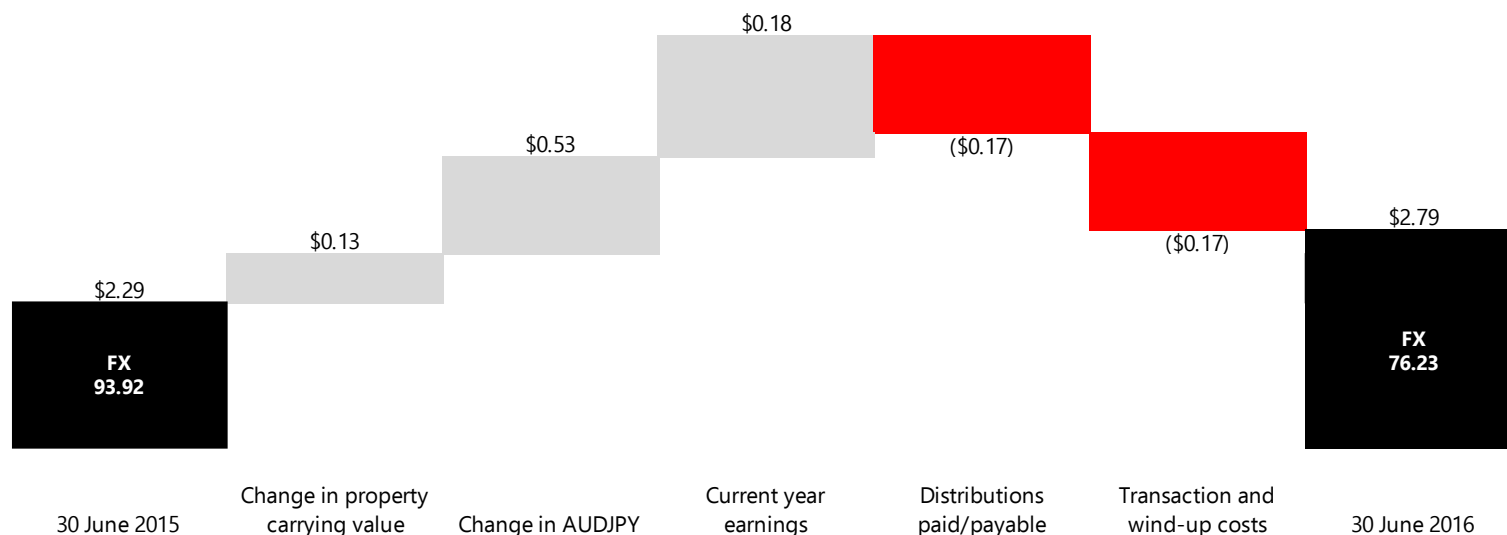
### Movement in NOI by Sector (current portfolio)<sup>1</sup>

Sector	NOI 30 June 2016 ¥m	NOI 30 June 2015 ¥m	Movement Jun 16 vs Jun 15
Office	1,111	1,085	2.4%
Retail/Mixed Use	1,469	1,453	1.1%
Residential	432	447	(3.4%)
Industrial	93	117	(21.2%)
Portfolio	3,105	3,102	0.1%

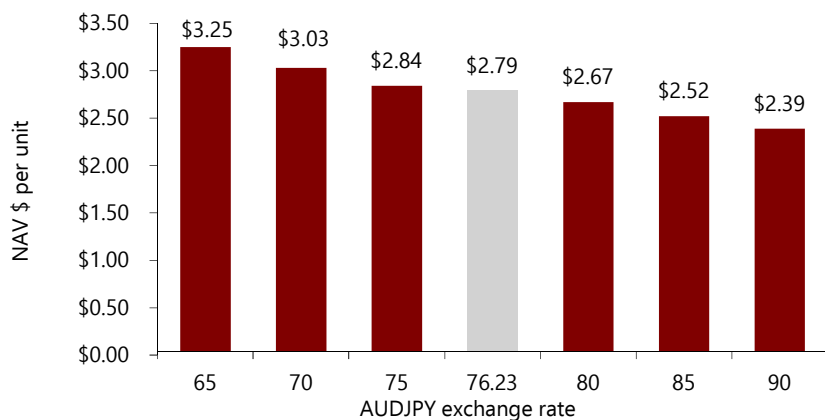


- Office NOI 2.4% higher vs pcp primarily due to upward rent revisions predominantly in Seishin, Azabu Amerex and Hiei Kudan
- Decrease in NOI for residential mainly due to lower average occupancy during the period
- Decrease in industrial NOI due to vacancy at Funabashi Hi-Tech in FY16. Commercial terms have now been agreed with a new tenant however lease commencement is subject to approval from the local prefectural authority which is anticipated to be received in the second quarter of FY17

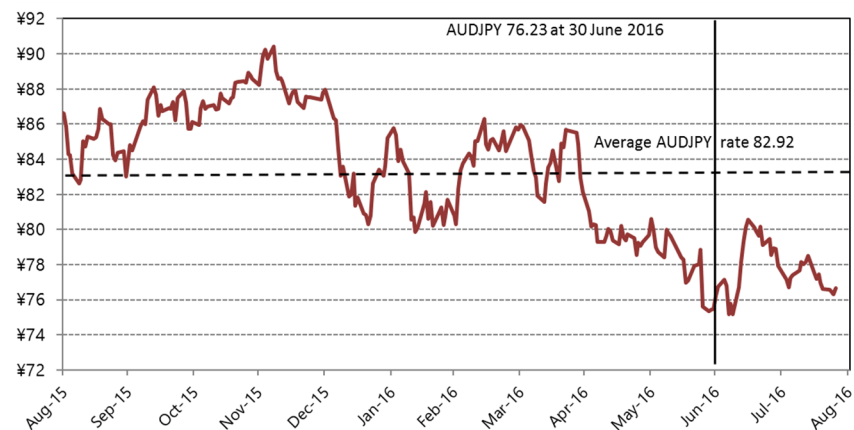
## NAV movement for the year ended 30 June 2016



### NAV sensitivity to AUDJPY exchange rate<sup>1</sup>



### AUDJPY year to 25 August 2016



## Summary of TK Business borrowings

Facility	Key Terms of Facility
Senior Bank Loan	<p>Facility amount: ¥27.9 billion (A\$366.2 million<sup>1</sup>)            Maturity: October 2018            Interest margin: 125 basis points over 3-month Japanese LIBOR            Principal amortisation: None  <u>Material covenants</u>            LTV covenant: none            Debt service coverage ratio (DSCR): There is a DSCR covenant test (assumes a fixed interest cost of 4.5%) using a threshold of 1.9x. The actual DSCR for the June 2016 quarter under this test was 2.3x (June 2015 quarter 2.3x)            Interest rate swap: ¥24 billion of the Loan Balance is subject to an interest rate swap that has a fixed interest rate of 1.65% per annum (including interest margin) to October 2018            No early prepayment penalty</p>
Mezzanine Loans	<p>Loan Balance: senior mezzanine ¥2.91 billion / junior mezzanine ¥2.91 billion (A\$76.5 million<sup>1</sup>)            Maturity: October 2018            Interest margin: senior mezzanine 125 basis points over base rate / junior mezzanine 505 basis points over base rate            Base rate: 3-month Japanese LIBOR            Principal amortisation: None  <u>Material covenants</u>            LTV covenant: None            Debt service coverage ratio (DSCR): There are no DSCR covenant test for the mezzanine loans            Interest rate swap: ¥2 billion of the senior mezzanine Loan Balance is subject to an interest rate swap that has a fixed interest rate of 1.49% per annum (including interest margin) to October 2018            No early prepayment penalty</p>

Balance of interest bearing debt

¥33.7 billion

Average interest rate "All in" as at 30 June 2016

1.9%

Average loan term remaining

2.3 years

Interest bearing debt to total assets

53.7%

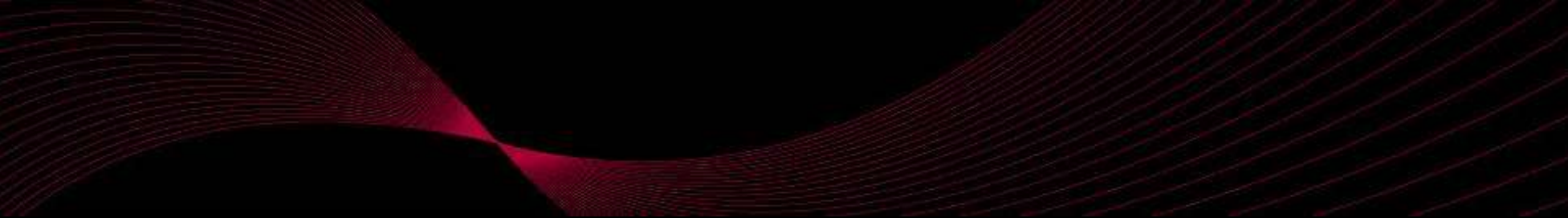
Fixed rate borrowing as a % of total debt

77.3%

Earliest loan maturity due in

2.3 years

1. AUDJPY spot rate of ¥76.23 as at 30 June 2016



# Portfolio and market update





## Portfolio update as at 30 June 2016

	30 June 2016	30 June 2015	Change in Period
Number of properties	18	19	(1)
Total Portfolio book value (100% interest) (¥bn)	57.36	56.25	1.11
Net Rentable Area (sqm)	198,140	199,513	(1,373)
Occupancy (by area) (%)			
Office	97.3	97.9	(0.6)
Retail/Mixed Use	98.9	98.5	0.4
Residential	96.0	96.4	(0.4)
Industrial	66.3	66.3	-
Overall Portfolio	96.1	96.0	0.1
Number of leases <sup>1</sup>	187	185	2
% of portfolio income (Standard Japanese Lease) (%)	62	62	-
% of portfolio income ("non-cancellable lease") (%)	38	38	-
Average asset value (¥ billion)	3.2	3.0	0.2

- Overall portfolio occupancy consistent with 30 June 2015. As previously reported, major reason for lower portfolio occupancy rate relates to the lease cancellation of single tenant at Funabashi Hi Tech, one of the two industrial assets in the portfolio. Commercial terms have now been agreed with a new tenant with lease commencement anticipated in the second quarter of FY17
- Excluding the sale of Prejeal Utsubo in April 2016, the portfolio increased in book value by ¥1.92bn or 3.5% from 30 June 2015
- Decrease in number of properties, NRA etc due to the sale of Prejeal Utsubo in April 2016

1. Number of leases excludes individual residential leases

## Portfolio update (con't)

### Upward office rent revisions in FY16

Property	Area (Tsubo)	Effective date	Previous Rent (¥/tsubo/mth)	New Rent (¥/tsubo/mth)	Variance %	Variance ¥ pa	Comment
Seishin	366.14	2/16	15,000	17,000	13.3	8,787,360	
Seishin	153.74	4/16	19,000	24,000	26.3	9,224,400	New Lease
Seishin	31.99	1/16	18,756	20,500	9.3	669,487	
Seishin	29.33	6/16	20,000	24,000	20.0	1,407,840	New Lease
Hiei Kudan	30.52	7/16	14,000	14,500	3.6	183,120	
Takadanobaba	58.98	4/16	13,800	15,000	8.7	849,312	New Lease
<b>Total</b>	<b>670.70</b>				<b>16.2</b>	<b>21,121,519</b>	

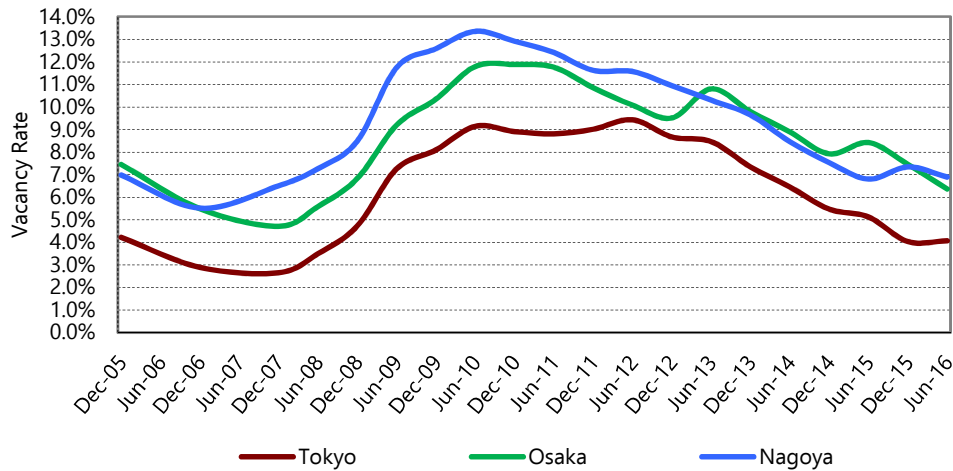
- GJKK negotiated the above rent increases for office leases in FY16.
- In aggregate the area subject to upward rent revision equates to approximately 9% of the total net rentable area of the office portfolio
- The average increase has been approximately 16%

# Real estate market outlook

- Fundamentals for Tokyo office continue to improve with central Tokyo office vacancy having firmed to 3.9%<sup>1</sup> as at July 2016, an improvement of 1.2% since June 2015
- Average asking rents for central Tokyo office have increased 4.5%<sup>1</sup> in the year to June 2016. This increase is reflected in increases in office passing rents (refer slide 10)
- The Bank of Japan introduced a negative interest rate policy on 29 January 2016. This has had a positive impact on real estate as yield spreads compared to government bonds and high quality corporate debt are relatively attractive.<sup>2</sup>

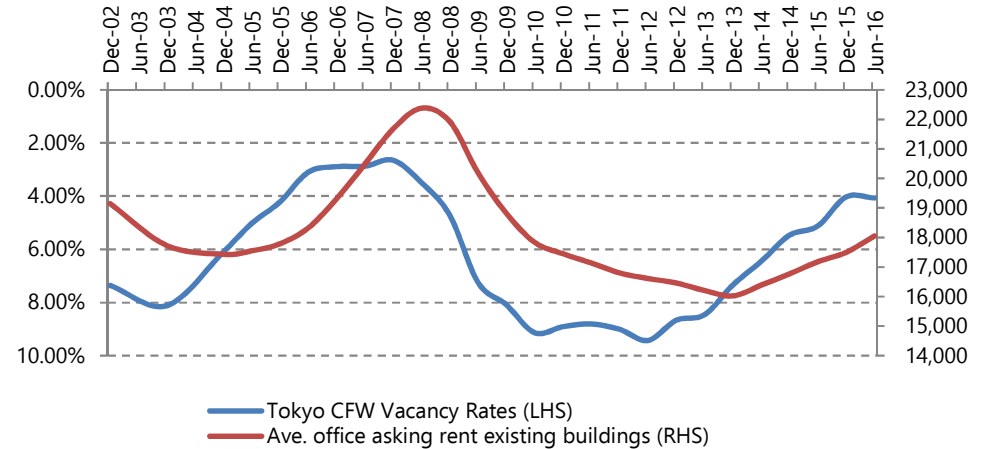
## Office Vacancy – Japan’s major CBDs

*“Office vacancy continues to trend down”*

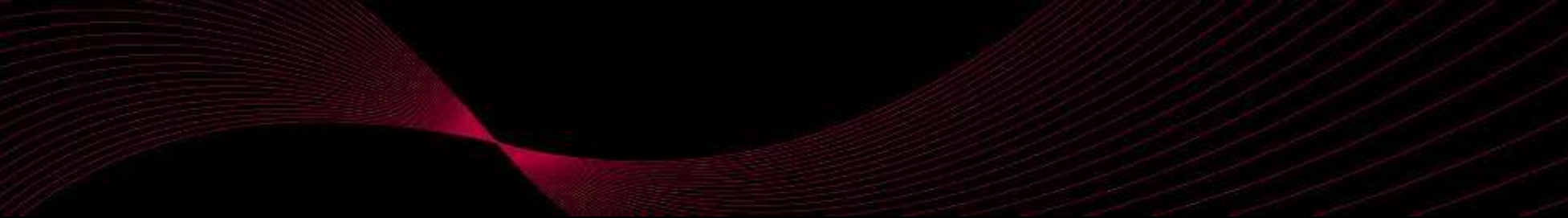


## Average Tokyo CBD office rents (¥/tsubo/month)

*“Tokyo office asking rent growth returns as vacancies fall”*



1. Source - Miki Shoji – July 2016  
 2. Source – UBS Global Research – Research Blast – Asia Pacific Real Estate Market May 2016 update



Appendix 1

Additional Information



## FY16 Statement of funds from operations (FFO)<sup>1</sup>

	FY16 Actual ¥'000	FY15 Actual ¥'000
Net property income	3,125,852	3,328,719
Interest expense	(656,118)	(753,734)
Premium on Eurobond repayment	-	(492,834)
Asset management fees	(379,547)	(371,596)
Other expenses – TK Business	(70,160)	(70,300)
OEI share of FFO	(60,601)	(51,993)
FFO from TK business - JPY	1,959,426	1,588,262
Exchange rate (AUD/JPY)	84.98	95.55
	A\$'000	A\$'000
FFO from TK business – AUD	23,057	16,623
Other expenses – GJT	(1,812)	(1,574)
<b>Funds from operations</b>	<b>21,245</b>	<b>15,049</b>
<i>AIFRS and other items included in statutory net result:</i>		
Finance cost amortisation	(562)	(2,033)
MTM gain/(loss) on interest rate swap	(1,732)	451
Proposed sale of TK business and GJT wind up costs	(17,449)	-
Provision for distribution	(9,169)	-
Gain on investment property revaluations (net of OEI share)	14,024	6,547
Net FX gain	56,066	5,434
<b>Net result after tax (financial statements)</b>	<b>62,423</b>	<b>25,448</b>

This statement has been prepared using the 30 June 2016 financial report

## Balance Sheet as at 30 June 2016

	¥'000	A\$'000
<b>Assets</b>		
Cash and cash equivalents – GJT	108,399	1,422
Cash and cash equivalents – TK business	1,216,936	15,964
Cash and cash equivalents – TK business (restricted)	3,685,492	48,347
Other assets – GJT	10,215	134
Other assets – TK Business	401,961	5,273
Investment property	57,360,000	752,460
<b>Total assets</b>	<b>62,783,003</b>	<b>823,600</b>
<b>Liabilities</b>		
Payables and other liabilities - GJT	427,879	5,613
Provision for distribution	698,953	9,169
Tenant security deposits	3,039,138	39,868
Borrowings	33,742,295	442,638
Financial liability (interest rate swap)	363,541	4,769
Other liabilities – TK business	1,725,161	22,631
Non-controlling interest share of TK business net assets	353,707	4,640
<b>Total liabilities</b>	<b>40,350,674</b>	<b>529,328</b>
<b>Net assets payable to unitholders</b>	<b>22,432,329</b>	<b>294,272</b>

AUD/JPY	A\$1.00=¥76.23
Units on issue	105,385,415
NAV per unit (\$A)	\$2.79
Debt to assets ratio	53.7%

This balance sheet has been prepared using the 30 June 2016 financial report

## Leasing activity in detail

### Office portfolio at 30 June 2016

	Area sq.m.
Total office NRA at the beginning of the year	24,535
Occupied area at beginning of the year	24,013
<b>Occupancy % at beginning of year</b>	<b>97.9%</b>
Lease expiry in	(7,722)
Lease renewals	7,722
Lease terminations	(1,323)
New leases	1,189
Occupied area at end of period	23,879
<b>Occupancy % at 30 June 2016</b>	<b>97.3%</b>
Total office NRA at end of year	24,535



Takadanobaba, Tokyo



Seishin, Tokyo



Tsukasacho, Tokyo

# Leasing activity in detail

## Retail / mixed use portfolio

	Area sq.m.
Total retail/ mixed use NRA at the beginning of the year	123,206
Occupied area at beginning of the year	121,412
<b>Occupancy % at beginning of year</b>	<b>98.5%</b>
Lease expiry in year	(2,576)
Lease renewals	2,576
Lease terminations	(2,215)
New leases	2,830
Occupied area at end of year	122,027
<b>Occupancy % at 30 June 2016</b>	<b>98.9%</b>
Total retail/ mixed use NRA at end of year	123,415



Confomall, Sapporo



Seiyu, Shiga



LaPark Kishiwada, Osaka



# Leasing activity in detail

## Residential portfolio

	Area sq.m.
Total residential NRA at the beginning of the year	39,197
Occupied area at beginning of the year	37,801
<b>Occupancy % at beginning of year</b>	<b>96.4%</b>
Net leased area in year	(29)
Sale of Prejeal Utsubo	(1,655)
Occupied area at end of year	36,117
<b>Occupancy % at 30 June 2016</b>	<b>96.0%</b>
Total residential NRA at end of year	37,615



Royalhill Sannomiya, Kobe



Shiroi, Chiba



Matsuya Residence Sekime, Osaka

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