



Nara 2, Greater Tokyo



Seishin, Tokyo

# Recapitalisation of Galileo Japan Trust



9 September 2013

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED  
STATES

## Important notice and disclaimer

This investor presentation (**Recapitalisation Presentation**) has been prepared by Galileo Japan Funds Management Limited (ABN 59 121 567 244) (**GJFML**), the Responsible Entity of Galileo Japan Trust (ARSN 122 465 990) (**GJT** or **Trust**), in relation to an institutional placement (the **Institutional Placement** or the **Proposal**) of new GJT units (**New Units**). The Institutional Placement will be made in Australia to sophisticated and professional investors who are wholesale clients within the meaning of section 761G of the Corporations Act 2001 (Cth) (**Corporations Act**) and accordingly such placements are exempt from the disclosure requirements of Part 7.9 of the Corporations Act, and outside Australia to persons to whom an offer of New Units may be made without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of the foreign jurisdiction and who are not a U.S. Persons (as defined in Regulation S under the U.S. Securities Act of 1933 (**US Securities Act**)) or acting for the account of a U.S. Persons.

**Summary information:** This Recapitalisation Presentation contains summary information about GJT, its subsidiaries, portfolio of assets and activities which is current at the date of this Recapitalisation Presentation. The information in this Recapitalisation Presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in GJT or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act.

This Recapitalisation Presentation is provided for information purposes only and is subject to change without notice. This Recapitalisation Presentation is not to be relied upon in substitution for the recipient's own exercise of independent judgement with regard to the operations, financial condition and prospects of GJT.

The historical information in this Recapitalisation Presentation is, or is based upon, information that has been released to the Australian Securities Exchange (**ASX**). This Recapitalisation Presentation should be read in conjunction with GJT's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

**Not an offer:** This Recapitalisation Presentation is not a prospectus, product disclosure statement or other offering document under Australian law (and will not be lodged with the Australian Securities and Investments Commission) or any other law. This Recapitalisation Presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. This Recapitalisation Presentation does not constitute investment or financial product advice (or tax, accounting or legal advice) or any recommendation to acquire New Units and does not and will not form any part of a contract or commitment.

This Recapitalisation Presentation may not be released or distributed in the United States. This Recapitalisation Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction (and will not be lodged with the US Securities and Exchange Commission (**SEC**)). The New Units have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Units may not be offered or sold, directly or indirectly, in the United States, except in a transaction registered under the US Securities Act, or exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable state securities laws.

**Not investment advice:** Each recipient of this Recapitalisation Presentation should make its own enquiries and investigations regarding all information in this Recapitalisation Presentation including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of GJT and the impact that different future outcomes may have on GJT. This Recapitalisation Presentation has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. GJFML and GJT are not licensed to provide financial product advice in respect of New Units. Cooling off rights do not apply to the acquisition of New Units.

**Investment risk:** An investment in New Units is subject to known and unknown risks, some of which are beyond the control of GJFML, including possible loss of income and principal invested. GJFML does not guarantee any particular rate of return or the performance of GJT nor does it guarantee the repayment of capital from GJT or any particular tax treatment. Investors should have regard to the risk factors outlined in this Recapitalisation Presentation when making their investment decision and should make their own enquiries and investigations regarding the information in this Recapitalisation Presentation and the risks and prospects associated with GJT.

**Financial data:** All dollar values are in Australian dollars unless otherwise stated. All conversions between the Australian Dollar and Japanese Yen assume a AUD/JPY rate of ¥88 unless otherwise indicated.

The financial information presented in a number of tables in this Recapitalisation Presentation has been rounded to the nearest whole number, decimal or two decimals as applicable. Therefore, the sum of the numbers in a column may not conform exactly to the total figure for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding and accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

**FY14 Pro forma forecast Consolidated Income Statement:** This Recapitalisation Presentation contains a Pro forma forecast Consolidated Income Statement for GJT for the period ending 30 June 2014 to reflect the effect of the Institutional Placement and related transactions described in this Recapitalisation Presentation (together the **Proposal**) on GJT's FY14 consolidated income. The pro forma forecast has been prepared in accordance with GJT's accounting policies as disclosed in its financial reports, which are available on the GJT website, and by applying the assumptions set out in the pro forma forecast.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the pro forma forecast are to be expected. There is no guarantee that investors will receive distributions. The pro forma forecast should be read in conjunction with GJT's accounting policies and the risk factors outlined in Section 5. Investors are cautioned not to place undue reliance on the pro forma forecast.

## Important notice and disclaimer (continued)

**Future performance:** This Recapitalisation Presentation contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of forward looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance", "aim", "project", "opinion", "consider" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Proposal and the use of the proceeds. Indications of, and guidance or outlook on, future earnings and financial position and performance are also forward-looking statements as are statements in this Recapitalisation Presentation regarding the conduct and outcome of the Proposal, the use of proceeds and GJT's debt. You are cautioned not to place undue reliance on forward-looking statements. While due care and attention has been used in the preparation of forward-looking statements, the statements, opinions and estimates in this Recapitalisation Presentation are based on assumptions (which GJFML does not warrant are best-estimate assumptions) and contingencies subject to change without notice, as are statements about market and industry trend, projections, guidance and estimates.

The forward-looking statements contained in this Recapitalisation Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of GJFML, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Refer to the Risk Factors section of this Recapitalisation Presentation for a summary of certain general and GJT-specific risk factors that may affect GJT. This does not purport to be a complete list of possible risks associated with GJT.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including the risk factors set out in this Recapitalisation Presentation. Investors should consider the forward-looking statements contained in this Recapitalisation Presentation in light of those disclosures.

The forward-looking statements are based on information available to GJFML as at the date of this Recapitalisation Presentation. Except as required by law or regulation (including the ASX Listing Rules), GJFML undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

**Past performance:** Investors should note that the past performance, including past unit price performance and historical information in this Recapitalisation Presentation is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future GJT performance including future unit price performance. The historical information includes pro forma historical information which is not represented as being indicative of GJFML's views on GJT's future financial condition and/or performance. The historical information in this Recapitalisation Presentation is, or is based upon, information that has been released to ASX.

**Disclaimer:** Neither Moelis & Company or Macquarie Capital (Australia) Limited (the **Joint Lead Managers**), nor any of their advisers or any of their affiliates, related bodies corporate, directors, officers, partners, employees and agents (**Related Persons**), have authorised, permitted, or caused the issue, submission, dispatch or provision of this Recapitalisation Presentation and none of them makes or purports to make any statement in this Recapitalisation Presentation and there is no statement in this Recapitalisation Presentation which is based on any statement by any of them.

To the maximum extent permitted by law, the Joint Lead Managers, GJFML and their respective Related Persons exclude and disclaim all liability, including without limitation for negligence or for any expenses, losses, damages or costs incurred by you as a result of your participation in the Proposal, the information in this Recapitalisation Presentation being inaccurate or incomplete in any way for any reason (whether by negligence or otherwise) or any person's use of or reliance on this information, or otherwise arising in connection with this information. To the maximum extent permitted by law, each of GJFML and its Related Persons make no representation or warranty (express or implied) as to, and each recipient of this Recapitalisation Presentation must not rely on, any information, statement or opinion contained in this Recapitalisation Presentation, or its currency, accuracy, reasonableness or completeness.

To the maximum extent permitted by law, each of the Joint Lead Managers, GJFML and their respective Related Persons take no responsibility for the Proposal or any information in this Recapitalisation Presentation or any action taken by you on the basis of such information. The Joint Lead Managers, GJFML and their respective Related Persons make no recommendations as to whether you or your related parties should participate in the Proposal nor do they make any representations or warranties to you concerning the Proposal or GJT units, and you represent, warrant and agree that you have not relied on any statements made by any of them in relation to the Proposal and you further expressly disclaim that you are in a fiduciary relationship with any of them. Statements made in this Recapitalisation Presentation are made only as at the date of this Recapitalisation Presentation. The Joint Lead Managers, GJFML and their respective Related Persons are under no obligation to update this Recapitalisation Presentation. The information in this Recapitalisation Presentation remains subject to change without notice. GJFML reserves the right to withdraw the Proposal and/or vary the timetable for the Proposal without notice.

The Joint Lead Managers and GJFML specifically prohibit the redistribution or reproduction of this material in whole or in part without the written permission of both the Joint Lead Managers and GJFML, and the Joint Lead Managers, GJFML and their respective Related Persons accept no liability whatsoever for the actions of third parties in this respect.

## Executive summary

Galileo Japan Funds Management (**GJFML**), as Responsible Entity for Galileo Japan Trust (**GJT** or **Trust**), is proposing a recapitalisation of GJT's balance sheet to stabilise its capital structure and allow the reinstatement of distributions (**Proposal**)

- The Proposal consists of:
  1. An institutional placement of approximately A\$153.0 million at an Offer Price of A\$1.50 per New Unit<sup>1</sup> (the **Offer** or the **Institutional Placement**)
  2. Issuance of new Eurobonds by the Japanese TK business to raise ¥6.0 billion (A\$68.2 million) (**New Eurobonds**)
  3. Refinancing of existing Senior Loan with a new ¥30 billion (A\$340.9 million) 5 year debt facility
- The A\$1.50 Offer Price is attractive for investors
  - FY14 Pro forma forecast EPU yield of **11.0%**
  - FY14 Pro forma forecast DPU yield of **10.0%**
  - Offer Price represents a **30.6%** discount to the 30 June 2013 Pro forma NTA of A\$2.16 per unit
- The Institutional Placement is conditional on unitholder approval
  - GJFML, in its personal capacity, will participate in the Offer through the investment of A\$5.0 million (**Related Party Placement Component**)
  - GJFML has been advised the two largest unitholders, who in aggregate control 27% of units on issue, currently intend to vote in favour of the Proposal
- The Committee of independent Directors supports the Proposal as it offers a comprehensive solution for GJT and has a lower execution risk for delivering an acceptable outcome to unitholders
- This presentation has been prepared on the basis that the Proposal completes successfully as outlined herein. All dollar values are in Australian dollars unless otherwise stated. All conversions between the Australian Dollar and Japanese Yen assume a AUD/JPY rate of ¥88 unless otherwise indicated

1. The New Units will be issued on the same terms as, and will rank equally with, all other existing Units from the time of issue



## Key offer metrics

Offer Price per unit	A\$1.50
Estimated Market capitalisation at Offer Price <sup>1</sup>	A\$165m
Pro forma NTA per unit <sup>2</sup>	A\$2.16
Offer (discount) to Pro forma NTA <sup>2</sup>	(30.6%)
FY14 Pro forma forecast EPU yield <sup>3</sup>	11.0%
FY14 Pro forma forecast DPU yield <sup>4</sup>	10.0%
Tax deferred component of distribution	100%
Pro-forma gearing <sup>5</sup>	58.2%
Weighted average debt maturity	5.3 years
Weighted average “all-in” cost of debt <sup>6</sup>	2.77%
Foreign currency hedging	None



Azabu Amerex, Tokyo

1. Based on the expected Offer size of A\$153 million
2. Net tangible assets (**NTA**) as at 30 June 2013, adjusted for the Proposal (refer slide 38)
3. Based on the Offer Price of A\$1.50 per New Unit under the Offer
4. Assuming a fixed AUD/JPY exchange rate of ¥88. Refer to slides 19 and 20 for AUD/JPY exchange rate sensitivities pre and post implementation of the Offer respectively
5. Total interest bearing liabilities to total assets on completion of the Proposal (refer to slide 38)
6. The average “all-in” cost of debt assumes 80% of the Senior Loan is subject to a fixed rate swap for a minimum of 5 years

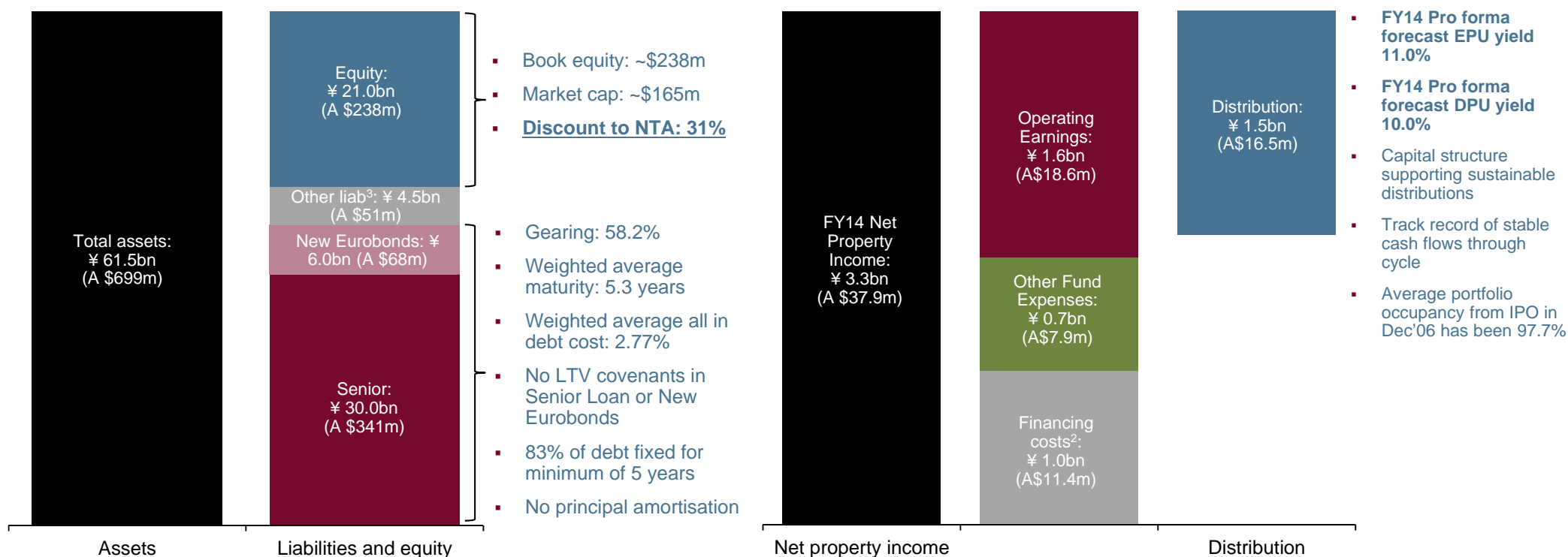
## Investment rationale

Value proposition	<ul style="list-style-type: none"><li>▪ Offer Price represents a 30.6% discount to Pro forma NTA of A\$2.16 per unit</li><li>▪ Implied entry cap rate of 6.85% based on Offer Price vs. 6.06% at independent valuation</li><li>▪ Portfolio valuation 30% below its peak valuation in June 2008</li><li>▪ Management will actively seek to reduce the discount to NTA</li></ul>
Attractive returns supported by stable earnings profile	<ul style="list-style-type: none"><li>▪ FY14 Pro forma forecast EPU yield of 11.0% based on Offer Price</li><li>▪ FY14 Pro forma forecast DPU yield of 10.0% based on Offer Price</li><li>▪ Strong track record of delivering stable revenues and maintaining a high occupancy level</li></ul>
Improving market fundamentals	<ul style="list-style-type: none"><li>▪ Opportunity to benefit from any recovery in the Japanese economy and property market conditions</li><li>▪ “Abenomics” has renewed optimism for Japan’s economy and equity markets have responded favourably to proposed policy changes</li><li>▪ Improving market fundamentals reflected in strong J-REIT performance</li></ul>
Simplified capital structure	<ul style="list-style-type: none"><li>▪ Simplified and stable balance sheet that should allow sustainable distributions going forward</li><li>▪ Weighted average debt maturity extended to 5.3 years with no LTV covenants or principal amortisation</li><li>▪ Gearing reduced to sustainable 58.2% from 81.9%</li></ul>

# Stable balance sheet with strong cash flow coverage

Pro forma Balance Sheet post Proposal (as at 30 June 2013)<sup>1</sup>

Cash flow coverage post Proposal (Pro forma FY14)<sup>1</sup>



1. Assumes fixed AUD/JPY exchange rate of ¥88  
 2. Excluding amortisation of upfront costs  
 3. Tenant Security Deposits, trade & other payables, outside equity interest  
 4. FY13 adjusted for "one off" penalty payments (approximately ¥40 million) associated with lease cancellations

## Strategy to add value to unitholders

- Post recapitalisation Management's primary focus will be to:
  - Enhance the free cash flow coverage of distributions through active portfolio management
  - Close the gap between Offer Price and Pro forma NTA of approximately 31%
- Initiatives that Management will explore to close the gap to NTA may include:
  - Increasing portfolio NOI as market conditions become more favourable, particularly in relation to the Tokyo office portfolio
  - Asset acquisitions or disposals that will enhance both earnings and NTA
  - Potential buy back of GJT units
  - Actively promoting GJT to prospective investors, media and analysts
  - The possibility of re-domiciling the listing of GJT to Japan or Singapore
- GJFML believes that post recapitalisation GJT will provide strong and stable income and, through some combination of the above mentioned initiatives, should improve the value of GJT units relative to underlying NTA over the medium term





Shiroi, Tokyo



Azabu Amerex, Tokyo

## Section 2

### Overview of GJT

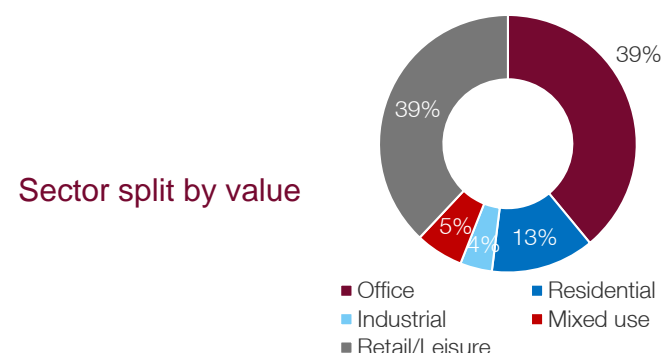
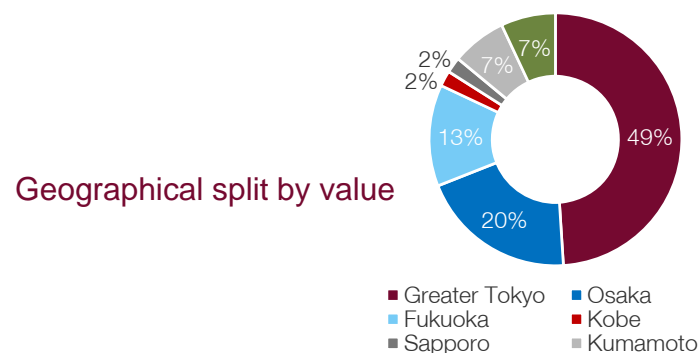


NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

## Portfolio overview

GJT has an indirect interest in 21 properties with 11 assets located in the Greater Tokyo area

	Total	Office portfolio	Retail / mixed use portfolio	Residential portfolio	Industrial portfolio
No. of properties	21	8	6	5	2
Gross book value (¥ billion)	57.4	22.4	25.3	7.4	2.3
Net Rentable Area (sqm)	209,517	26,368	131,377	39,197	12,575
Weighted ave. Cap. rate	6.06%	5.34%	6.45%	6.63%	6.90%
Average age of assets	17 years	23 years	12 years	17 years	11 years
% of Portfolio income	100%	32%	49%	14%	5%
Occupancy (by area)	99.0%	98.6%	99.7%	96.7%	100.0%
FY14F NOI (A\$m)	37.9	12.2	18.6	5.3	1.8
FY13A NOI (A\$m)	40.8	13.3	19.9	5.8	1.8

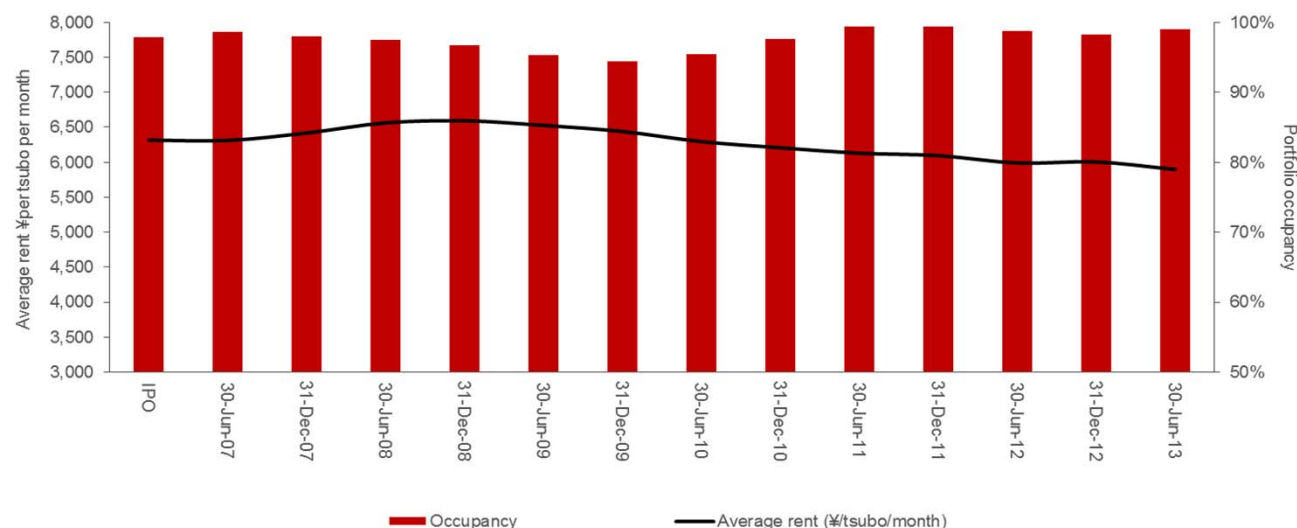


## Diversified portfolio supporting stable earnings

GJT portfolio has delivered relatively stable revenues and maintained high occupancy levels since listing in December 2006

- Track record of stable revenues and high occupancy
- Current portfolio of 21 properties
  - Approximately 50% of the portfolio by value is located in the Greater Tokyo region where continued population growth is expected
  - 39% of the portfolio by value are office properties and 44% are retail/leisure or mixed use properties
  - 44% of portfolio gross rental is linked to “non-cancellable” leases with a weighted average duration of 11.0 years
  - Average passing rents in the office portfolio are at or below independently assessed market rents. This provides an opportunity for growth assuming office market conditions continue to strengthen as anticipated over the next three to five years

### Historic portfolio occupancy and rent



Reduction in average rents primarily a function of:

- Sale of assets with higher than portfolio average rental
- Re-basing of office rents which commenced in late 2008

# Office portfolio

## Potential to leverage into improving Tokyo office market

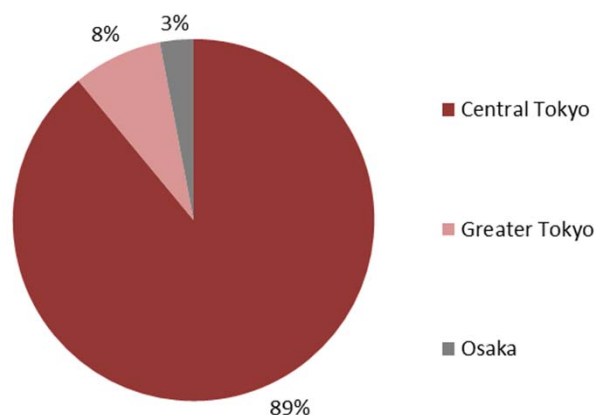
### Key statistics

Net rentable area	26,368 sqm
Occupancy by area at 30 June 2013	98.6%
% of portfolio value	39%
% of portfolio NOI	32%
Average age of assets (years)	23

### Historical valuations and cap rates

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13
Book value (¥ billion)	36.2	28.3	25.5	24.2	22.3	22.4
Cap rate	4.58%	5.13%	5.26%	5.26%	5.44%	5.34%
NOI (¥ million)	1,457	1,479	1,253	1,108	1,200	1,173

### Geographical split by value



### Major office tenants % of total portfolio gross income

Property	Tenant	% of property gross income	% of portfolio gross income	Lease expiry	Time in tenancy
Kanda	Vixus Corp.	87	4	Sep 2014	11.4 years
Tsukasacho	Spectis Co.	43	2	Sep 2014	3.9 years
Seishin	Jorudan Ltd	16	1	Jan 2014	1.6 years
Tsukasacho	Situs Mgt Ltd	24	1	Oct 2013	11.8 years
Seishin	Sumisho Drug	12	1	Oct 2013	1.0 years
Takadanobaba	Moltobene	23	1	Nov 2014	10.8 years
Seishin	Ichijinsha Inc	12	1	Nov 2014	4.8 years

## Retail/mixed use portfolio

Stable cash flows underpinned by 75% of rental income supported by “non-cancellable” leases

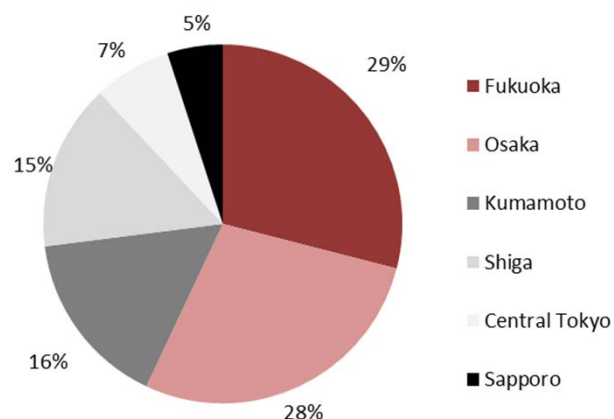
### Key statistics

Net rentable area	131,377 sqm
Occupancy by area at 30 June 2013	99.7%
% of portfolio value	44%
% of portfolio NOI	49%
Average age of assets (years)	12

### Historical valuations and cap rates

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13
Book value (¥ billion)	32.7	27.7	27.5	26.7	25.6	25.3
Cap rate	5.50%	6.38%	6.39%	6.37%	6.51%	6.46%
NOI (¥ million)	1,631	1,717	1,708	1,719	1,763	1,749

### Geographical split by value



### Major retail tenants % of total portfolio gross income

Property	Tenant	% of property gross income	% of portfolio gross income	Lease expiry	Time in tenancy
Seiyu	Seiyu	100	6	July 2027	6.1 years
Kishiwada SC	Don Quixote	22	4	July 2016	18.9 years
Kishiwada SC	Nobuta	14	3	July 2027	6.2 years
Suoy Mall, Fukuoka	Sakoda	24	3	June 2027	6.2 years
Suoy Mall, Fukuoka	Mr Max	21	2	June 2027	6.2 years
Lions Square	Summit	41	2	April 2023	10.3 years

## Portfolio summary

	Building name	Location	Date acquired	Age (years)	Carrying value (¥bn)	% of portfolio (by value)	Occupancy as at 30 June 2013	NOI cap. rate
Office	Seishin	Tokyo	Dec 2006	24	6.59	11.5%	100.0%	5.20%
	Kanda NK	Tokyo	Dec 2006	22	3.27	5.7%	100.0%	5.30%
	Tsukasacho	Tokyo	Dec 2006	25	3.33	5.8%	100.0%	5.20%
	Takadanobaba Access	Tokyo	Dec 2006	19	3.12	5.4%	100.0%	5.30%
	Azabu Access	Tokyo	Dec 2006	25	1.87	3.3%	100.0%	5.30%
	Nara 2	Kanagawa	Jan 2008	21	1.70	3.0%	94.7%	5.80%
	Hiei Kudan	Tokyo	Dec 2006	22	1.77	3.1%	100.0%	5.40%
	Doshoumachi	Osaka	Dec 2006	24	0.70	1.2%	91.8%	6.40%
	<b>Total/average</b>			<b>23</b>	<b>22.35</b>	<b>39.0%</b>	<b>98.6%</b>	<b>5.34%</b>
Retail / leisure	La Park Kishiwada	Osaka	Jul 2007	19	6.93	12.1%	99.7%	6.80%
	Suroy Mall, Fukuoka	Fukuoka	Jul 2007	6	7.38	12.9%	100.0%	6.00%
	Suroy Mall, Kumamoto	Kumamoto	Sep 2007	6	3.97	6.9%	99.3%	6.20%
	Seiyu Minakuchi	Shiga	Jul 2007	14	3.87	6.7%	100.0%	6.60%
	<b>Total/average</b>			<b>11</b>	<b>22.15</b>	<b>38.6%</b>	<b>99.8%</b>	<b>6.39%</b>
Mixed use	Lions Square	Saitama	Dec 2006	15	1.80	3.1%	100.0%	7.20%
	Confomall	Sapporo	Dec 2006	10	1.35	2.3%	97.9%	6.60%
	<b>Total/average</b>			<b>13</b>	<b>3.15</b>	<b>5.4%</b>	<b>99.1%</b>	<b>6.94%</b>
Residential	Shiroi	Chiba	Dec 2006	18	2.21	3.9%	99.0%	7.50%
	Matsuya Residence Sekime	Osaka	Dec 2006	24	2.03	3.5%	94.6%	6.40%
	Royalhill Sannomiya II Kobe	Kobe	Dec 2006	9	1.46	2.5%	93.6%	6.10%
	Imazato	Osaka	Dec 2006	22	0.97	1.7%	91.1%	6.50%
	Prejeal Utsubo Park	Osaka	Dec 2006	8	0.76	1.3%	97.0%	5.90%
	<b>Total/average</b>			<b>17</b>	<b>7.44</b>	<b>13.0%</b>	<b>96.7%</b>	<b>6.63%</b>
Industrial	Funabashi Hidan	Chiba	Dec 2006	10	1.56	2.7%	100.0%	6.90%
	Funabashi Tesco	Chiba	Dec 2006	12	0.73	1.3%	100.0%	6.90%
	<b>Total/average</b>			<b>11</b>	<b>2.29</b>	<b>4.0%</b>	<b>100.0%</b>	<b>6.90%</b>
<b>Total portfolio</b>				<b>17</b>	<b>57.38</b>	<b>100%</b>	<b>99.0%</b>	<b>6.06%</b>





La Park Kishiwada SC, Osaka

## Section 3

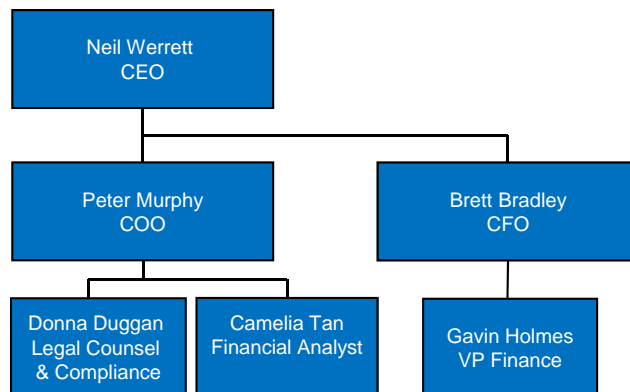
### Management platform



NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

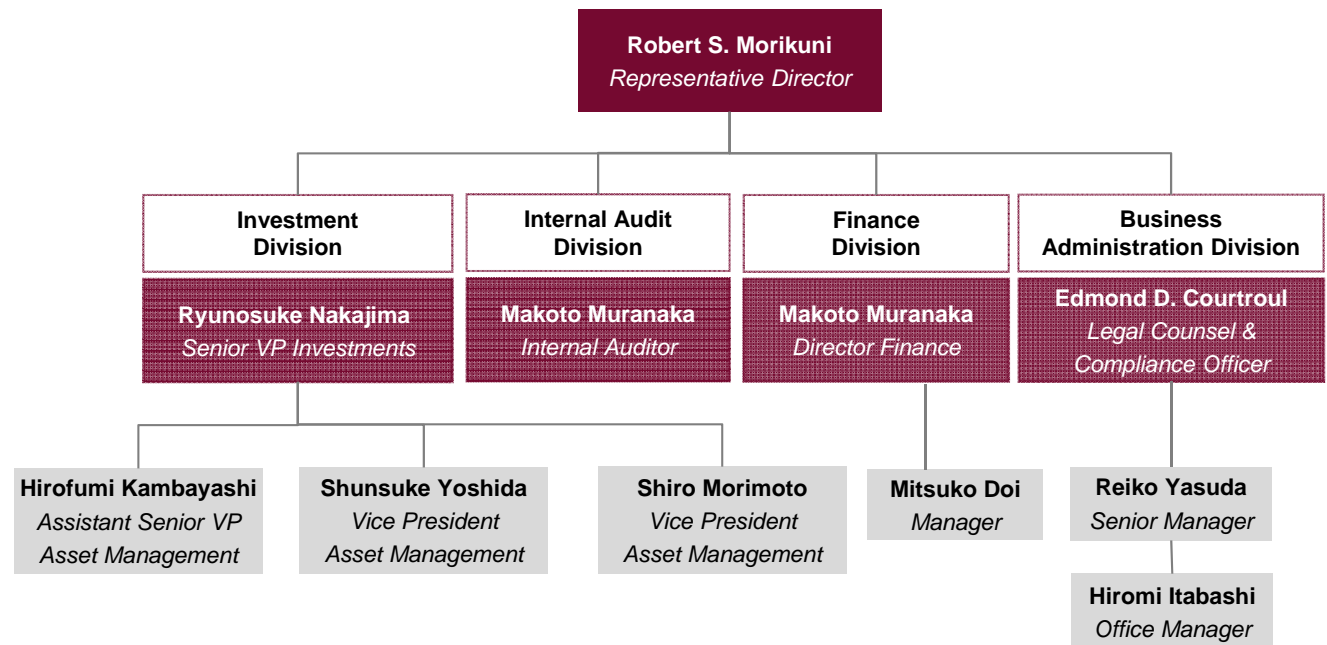
# Organisation chart

## Australia



## Japan

Galileo Japan KK (GJKK)  
(Manager of the TK Business)





Suroy Mall Kumamoto SC, Kumamoto

## Section 4

### Financial information



NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

## Sources and uses

Sources	A\$m	¥bn	Uses	A\$m	¥bn
Institutional Placement	148.0	13.02	Partial repayment of Senior Loan	73.3	6.45
New Eurobonds issued	68.2	6.00	Repay (in full) existing Eurobonds <sup>3</sup>	94.9	8.35
Related Party Placement <sup>1</sup>	5.0	0.44	Repay (in full) Convertible Eurobonds <sup>3</sup>	24.1	2.12
Master TK Operator contribution <sup>2</sup>	2.0	0.18	Repay FX Loan <sup>4</sup>	14.5	1.27
			Other deferred liabilities <sup>5</sup>	3.0	0.27
			Working capital	1.7	0.15
			TSD reserves top-up <sup>6</sup>	3.4	0.30
			Debt raising costs	2.3	0.20
			Costs of the Proposal <sup>7</sup>	6.0	0.53
<b>Total</b>	<b>223.2</b>	<b>19.64</b>	<b>Total</b>	<b>223.2</b>	<b>19.64</b>

1. Placement to GJFML in its personal capacity at the same Offer Price as the Institutional Placement of A\$1.50

2. Represents 1.5% of the total capital contributed to the TK Business as required by the TK Agreement

3. Repayments will extinguish these liabilities in full

4. This represents a discount to the face value of the facility of 68%

5. As a part of the refinancing that was completed in September 2009, GJFML agreed to an operating cost recovery arrangement. The payment of these costs has been deferred until all outstanding obligations to the existing Eurobond holders and the FX Loan lender are repaid in full, which is expected to occur on completion of the Proposal. Also includes unpaid disposition fees due to GJFK.

6. Refers to tenant security deposits, as required under the terms of the Senior Loan refinancing (refer slide 22)

7. Advisory fees and legal and professional fees paid to third party consultants

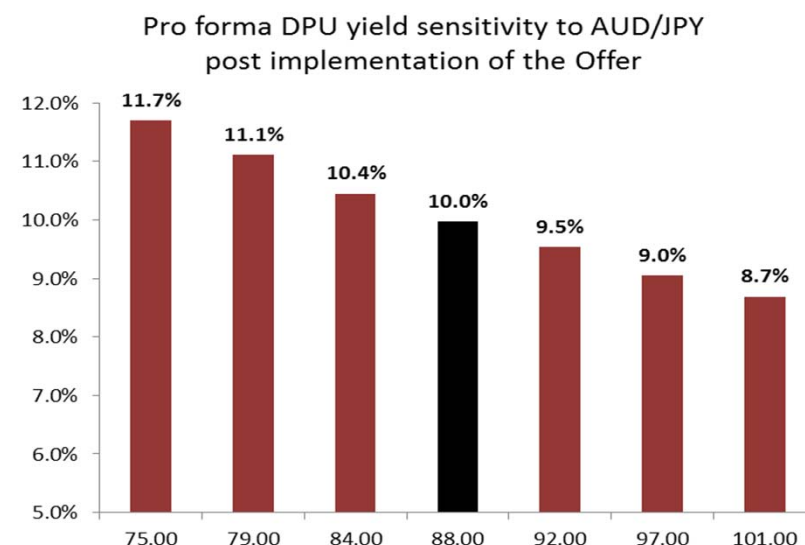
## Sensitivity of Offer size to movements in AUD/JPY FX rate

	Sensitivities						
<i>AUD/JPY exchange rate at bookbuild date</i>	<b>¥75</b>	<b>¥79</b>	<b>¥84</b>	<b>¥88</b>	<b>¥92</b>	<b>¥97</b>	<b>¥101</b>
<b>Total Offer Size (A\$m)<sup>1,2</sup></b>	<b>179.1</b>	<b>170.1</b>	<b>160.1</b>	<b>153.0</b>	<b>146.4</b>	<b>139.0</b>	<b>133.6</b>
<b>Number of new units issued (million)</b>	<b>119.4</b>	<b>113.4</b>	<b>106.7</b>	<b>102.0</b>	<b>97.6</b>	<b>92.7</b>	<b>89.1</b>
<b>FY14 Pro forma forecast EPU<sup>3</sup> yield on Offer Price</b>	<b>11.2%</b>	<b>11.2%</b>	<b>11.1%</b>	<b>11.0%</b>	<b>10.9%</b>	<b>10.8%</b>	<b>10.8%</b>
<b>FY14 Pro forma forecast DPU<sup>3</sup> yield on Offer Price</b>	<b>10.3%</b>	<b>10.2%</b>	<b>10.1%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>9.9%</b>	<b>9.8%</b>
<b>Offer Price discount to Pro forma NTA</b>	<b>31.6%</b>	<b>31.3%</b>	<b>30.9%</b>	<b>30.6%</b>	<b>30.4%</b>	<b>30.0%</b>	<b>29.8%</b>

1. Total amount raised excludes the amount contributed by the Master TK Operator
2. Total Offer size includes amounts raised to cover A\$ denominated applications
3. Based on the Offer Price of A\$1.50 per new unit

## FY14 Pro forma forecast consolidated income statement

Year ending 30 June 2014	Pro forma Forecast (A\$'000s)
Net property income ( <b>NOI</b> )	37,925
Finance costs	(11,826)
Asset management fees	
- TCM	(1,832)
- GJKK	(437)
Fund management fees	
- GJKK	(2,076)
- GJFML	(692)
Other expenses	(2,267)
<b>Net income</b>	<b>18,795</b>
Outside equity interest	(563)
<b>Net income attributable to GJT</b>	<b>18,232</b>
Add: Non-cash amortisation	441
<b>Funds from operations (FFO)</b>	<b>18,673</b>
<b>Distribution to GJT Unitholders</b>	<b>16,468</b>
<b>Earnings per unit (EPU) cpu</b>	<b>16.5</b>
<b>EPU Yield</b>	<b>11.0%</b>
<b>Distribution per unit (DPU) cpu</b>	<b>15.0</b>
<b>DPU Yield</b>	<b>10.0%</b>
<b>Distribution per unit (DPU) cpu (assuming allotment on 9 Oct 2013)</b>	<b>10.9</b>



Assuming an allotment date of 9 October 2013 the distribution per unit for the year ending 30 June 2014 is expected to be 10.9 cents per unit, which equates to an annualised DPU yield of 10.0%.

Please refer to slide 39 for a reconciliation of the Pro forma forecast Consolidated Income Statement to the forecast statutory net income that assumes the Proposal takes effect from 9 October 2013

The Pro forma forecast consolidated income statement has been prepared in accordance with GJT's accounting policies and by applying the following assumptions:

- Pro Forma adjustments have been made for the following items to show the impact of the Proposal assuming it was effective on 1 July 2013:
  - Finance costs have been calculated based on the new financing terms
  - Fund management fees have been calculated based on the reintroduction of the base responsible entity fee
  - Other expenses have been calculated based on the cessation of the GJFML cost recovery
- Net property income has been forecast on a bottom up, line by line basis and therefore no individually significant assumptions
- Gains and losses on investment properties and financial instruments have been excluded as there is no reasonable basis to forecast these amounts (however they will be recognised in the statutory financial statements at 30 June 2014).
- A constant exchange rate of A\$1 = ¥88 for the year ending 30 June 2014.



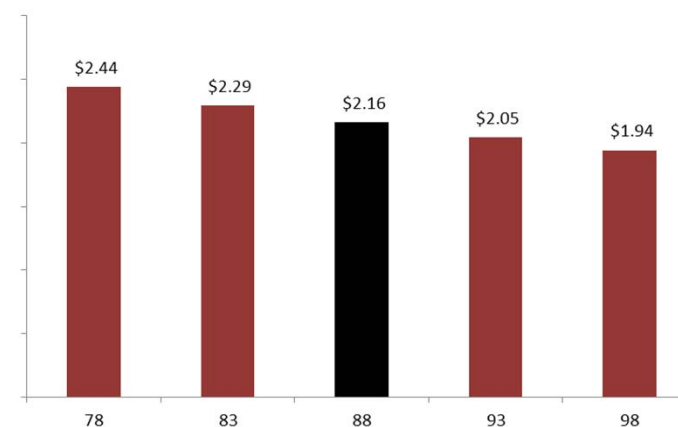
## Pro forma balance sheet as at 30 June 2013

Post Proposal, GJT's stabilised balance sheet will allow the reinstatement of distributions

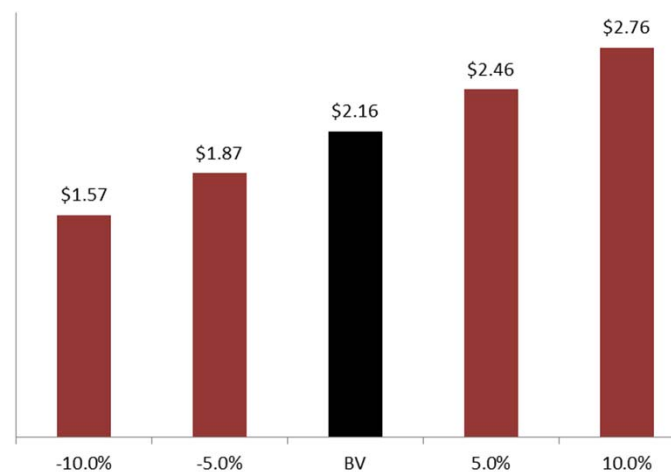
	Pro forma <sup>1</sup> 30 June 2013 A\$'000
<b>Assets</b>	
Cash and cash equivalents	39,874
Other assets	6,645
Investment property	652,045
<b>Total Assets</b>	<b>698,564</b>
<b>Liabilities</b>	
Trade and other payables	11,334
Tenant security deposits	37,618
Interest bearing liabilities	406,818
<b>Total Liabilities</b>	<b>455,770</b>
<b>Net Assets</b>	<b>242,794</b>
<b>Unitholders' Equity</b>	
Contributed equity	533,860
Accumulated losses and reserves	(295,666)
Non-controlling interest	4,600
<b>Total Equity</b>	<b>242,794</b>
Units on issue (m)	110.1
NTA (A\$ per unit)	\$2.16
Gearing (interest bearing liabilities / total assets)	58.2%

1. Refer to appendix slide 38 for a reconciliation of the actual 30 June 2013 balance sheet to the Pro forma balance sheet

NTA sensitivity to AUD/JPY exchange rate (post implementation)



NTA sensitivity to portfolio revaluations (post implementation)



# Revised profile of loans post Proposal

## The Japanese TK business Senior Loan terms post the Proposal

<b>Facility amount</b>	¥30.00 billion (A\$340.9 million)
<b>Term</b>	5 years
<b>Interest margin</b>	125 basis points over 3-month Japanese LIBOR
<b>Principal Amortisation</b>	None
<b>TSD reserves</b>	TSD reserves top-up of ¥300 million (A\$3.4 million) required at closing
<b>Material covenants</b>	No LTV <sup>1</sup> covenant DSCR <sup>2</sup> must not be less than 1.7x (using 4.5% constant interest rate) Pro forma DSCR post the Proposal is estimated to be 2.4x
<b>Interest rate swap</b>	FY2014 Pro forma forecast consolidated income statement assumes an interest rate swap is entered into to swap the floating rate to an all-in fixed rate of 1.8% (including margin) for 80% of the loan principal for the duration of the loan

## The Japanese TK business will issue new Eurobonds on the following terms

<b>Facility amount<sup>3</sup></b>	Par value ¥6.12 billion (A\$69.5 million) Issue price ¥6.00 billion (A\$68.2 million)
<b>Term</b>	7 years
<b>Interest coupon</b>	Fixed 8% per annum on the par value for the term of the bonds
<b>Principal Amortisation</b>	None
<b>Voluntary Prepayment</b>	Lock out in years 1 to 3. At any time between the 3 <sup>rd</sup> and 4 <sup>th</sup> anniversary the bonds can be redeemed at 104% of their outstanding notional principal amount. No penalty after the 4 <sup>th</sup> anniversary
<b>Mandatory Prepayment</b>	Upon the sale of an asset at release price without penalty
<b>Material covenants</b>	No LTV <sup>1</sup> covenant No DSCR <sup>2</sup> covenant

1. Loan to value covenant
2. Debt service coverage ratio
3. The issue price represents approximately 98% of par value



Confomall , Sapporo

## Section 5

### Japan overview

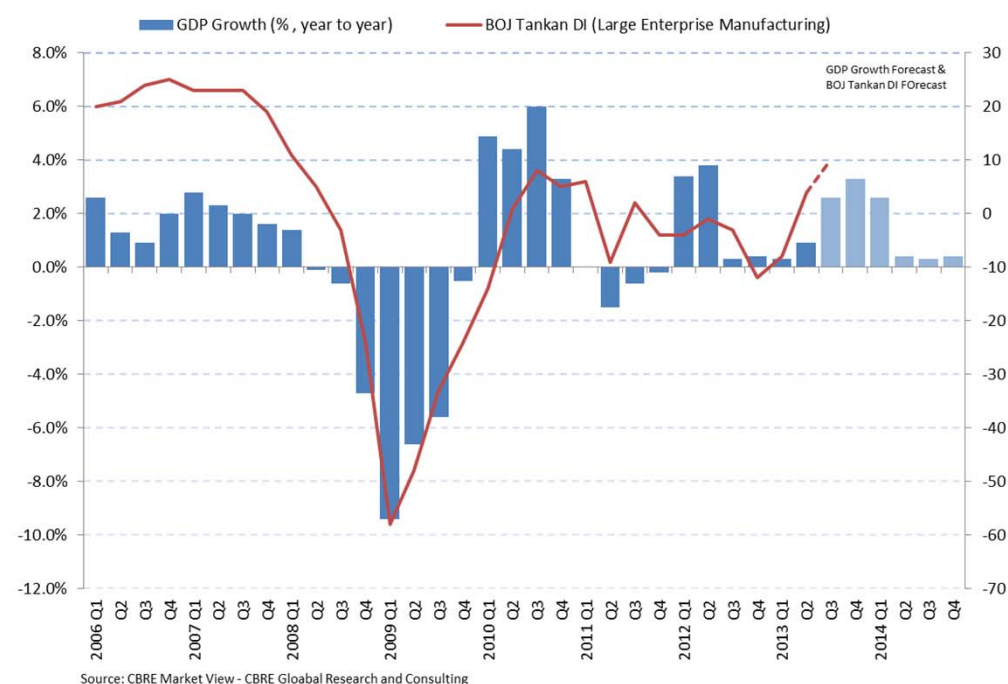


NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

# Japan: Economy

“Abenomics” has renewed optimism for Japan’s economy and equity markets have responded favourably to proposed policy changes

- Japan is the world’s third largest economy and second largest real estate market
  - Greater Tokyo (population 35.7 million, around 32% of Japan’s national GDP) is one of the largest, wealthiest regional Asian markets
- Japan’s government has launched a reform campaign to underpin a shift from deflation to inflation (2% target)
- Major policy initiatives involve
  - 10 trillion Yen fiscal stimulus package
  - Aggressive monetary easing (proposed doubling of monetary base)
  - Growth strategy based on structural reform
- Annualised GDP growth in Q2 of 2.6%, Japan’s third consecutive quarter of positive GDP growth
- Japanese exports still dependent on the state of the world economy and the value of the Yen
- Industrial production recorded the second consecutive quarter of growth with manufacturing activities anticipated to remain on a moderate recovery trend
- The Bank of Japan’s June 2013 Tankan survey results point to a general improvement in sentiment on the back of the weaker Yen and associated boost for corporate profits and domestic production



Source: Credit Suisse Economics Research August 2013 & CBRE Market View – CBRE Global Research and Consultancy

# Japan: Real estate market

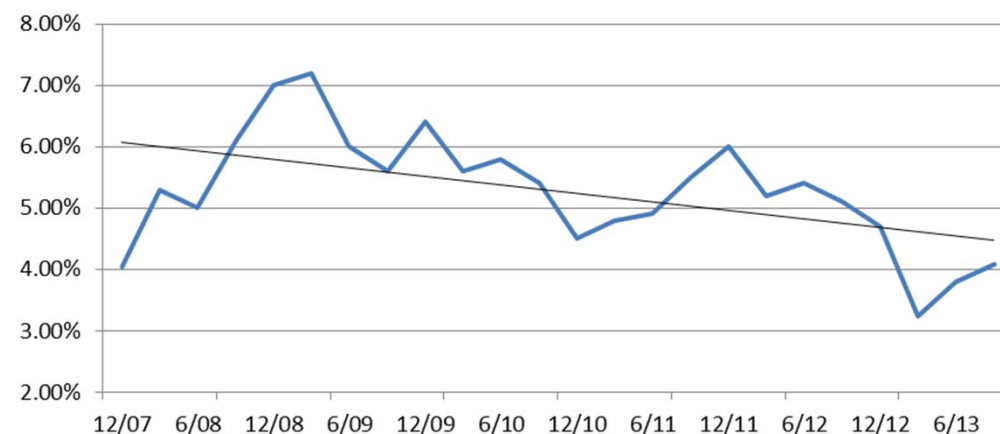
## Improving market fundamentals reflected in strong J-REIT performance

- J-REIT total return: 45.1%<sup>1</sup> in the year to 31 August 2013
- J-REIT average distribution yields approximately 4.1%<sup>1</sup>
- J-REIT unit price has historically been a leading indicator to underlying Tokyo office rental growth
- Typically, direct Tokyo office market rents lag the real estate unit prices by 15 months

TOPIX real estate index a leading indicator for Tokyo office rents, but market rent recovery not expected until Q1 2014



## J-REIT annualised distribution yield<sup>1</sup>



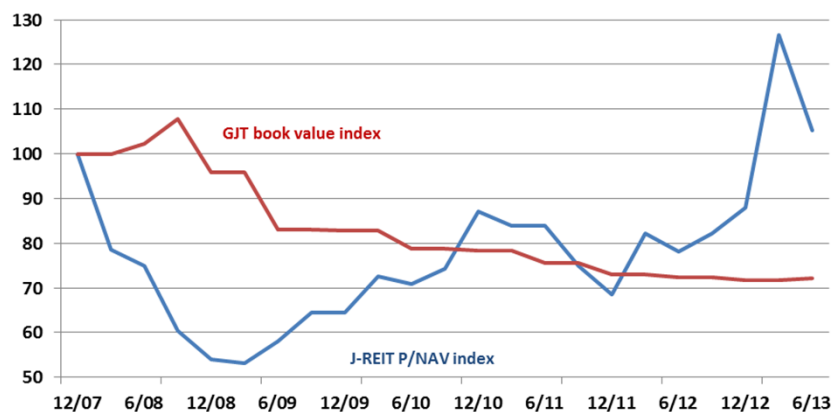
**Average J-REIT distribution yields approximately 4.1%**

Source: Miki-Shoji, Bloomberg

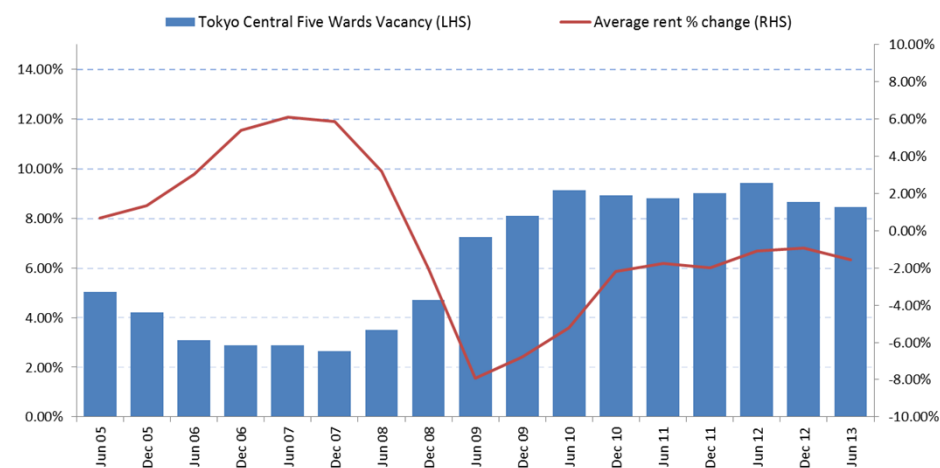
## Japan: Real estate market

- Bank of Japan plan to acquire ¥30 billion of J-REIT equity annually for next two years (from April 2013)
- J-REITs completed acquisitions valued at circa ¥120 billion in June 2013
- Central Tokyo office vacancies peaked in mid 2012 at 9.4%, but have since steadily declined to 8.5% as at August 2013<sup>1</sup>
- Land prices for six large city areas increased 0.2% in the six months to March 2013, the first increase recorded for over 10 years<sup>2</sup>

### J-REIT price relative to NAV<sup>3</sup>



### Tokyo office rents and vacancy



Source: Miki Shoji Tokyo Office Market Research Report

1. Miki Shoji Tokyo Office Market Report – July 2013  
 2. The Japan Real Estate Institute – Semi-Annual Urban Land Price Index – Six large city areas in the index include Tokyo Metropolitan Wards, Yokohama, Nagoya, Kyoto, Osaka and Kobe  
 3. The Association for Real Estate Securitisation (ARES) J-REIT Report, August 2013





Prejeal Utsubo Park , Osaka

## Section 6

### Implementation, Approvals & Timetable



NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

## Implementation and approvals

The Proposal will only proceed if the two resolutions below are passed by unitholders at the extraordinary general meeting (*EGM*) to be held on 2 October 2013

- Resolutions 1 and 2 below must be passed by ordinary resolution (>50%) of GJT's unitholders for the Proposal to proceed
  - If either resolution is not passed, the Proposal will not proceed
- GJT expects to despatch a notice of meeting and explanatory memorandum in respect of the resolutions on or about 9 September 2013
- GJFML has been advised the two largest unitholders, who in aggregate control 27% of units on issue, currently intend to vote in favour of the Proposal

### Required approvals from unitholders for the Proposal to proceed

1	Approval for Institutional Placement for greater than 15% of GJT's existing units on issue	<b>Ordinary resolution</b> of unitholders approving the issue of New Units under the Institutional Placement to institutional investors (subject to resolution 2 being passed)
2	Approval for the Related Party Placement Component to GJFML in its personal capacity	<b>Ordinary resolution</b> of unitholders approving the issue of New Units under the Related Party Placement Component to a related party of GJT (subject to resolution 1 being passed)

## Indicative timetable

EVENT	DATE
Announcement of Proposal	Monday, 9 September 2013
EGM materials despatched to unitholders	Monday, 9 September 2013
EGM to approve Proposal held	Wednesday, 2 October 2013
Institutional Placement bookbuild	On or before Friday, 4 October 2013
Settlement date for the Institutional Placement	Tuesday, 8 October 2013
Allotment and normal trading of New Units under the Institutional Placement	Wednesday, 9 October 2013

Note: The above timetable is indicative only and subject to change. All times refer to Sydney, Australia time. GJFML reserves the right to vary these dates or to withdraw the Proposal at any time



Suway Mall Kumamoto SC, Kumamoto

## Section 7

### Key risks



NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

# Key risks

## 1. Introduction

- Investors should be aware that there are risks associated with an investment in GJT
- Some of the principal factors which may, either individually or in combination, affect the future operating performance of GJT are set out below. Some are specific to an investment in GJT and the New Units and others are of a more general nature
- The summary of risks below is not intended to be an exhaustive list of the risk factors to which GJT is or has been exposed. This Recapitalisation Presentation does not take into account the personal circumstances, financial position or investment requirements of any particular person. Additional risks and uncertainties that GJFML is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the future performance of GJT and the New Units
- The information in this Recapitalisation Presentation does not constitute a recommendation to subscribe for New Units and this Recapitalisation Presentation does not purport to contain all of the information a unitholder or investor may require to evaluate a possible application for New Units
- It is important therefore for unitholders and investors before investing in the Proposal, to read and understand the entire Recapitalisation Presentation and review both recent and old announcements made by GJT to ASX (at [www.asx.com.au](http://www.asx.com.au) under the code "GJT") and to carefully consider these risks and uncertainties. You should have regard to your own investment objectives and financial circumstances and should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest

## 2. Risk factors

### i. Risk factors specific to the Trust

#### **The value of your investment may be adversely affected by third party under-performance or litigation**

Other risks include the following:

- Reliance on key personnel – the performance of the Trust depends on the expertise and investment decisions of GJFML, the Relationship Partners, Galileo Japan KK and their staff;
- Tenant default – default by tenants of properties in the portfolio of the Trust would reduce the income available to the TK Operator and therefore the Trust;
- Counterparty risk – defaults by the Relationship Partners on their obligations may reduce the income to the Trust; and
- Unforeseen litigation – there is the risk that unforeseen litigation may occur resulting in unexpected legal fees and expenses to protect the Trust's investments.

### ii. Risks related to investing in property under Japanese law

#### **Risks which are particular to Japanese property may adversely affect the value of your investment**

Aspects of Japanese law relating to real property differ significantly from Australian law. Some of the more important of these are as follows:

- Title – there is a greater risk of acquiring encumbered or invalid title under Japanese law compared with the Australian Torrens title system. For example, in Japan registration of title does not guarantee clear title. However, GJFML has carried out due diligence in respect of the portfolio to mitigate against the risk of acquiring encumbered or invalid title; and

## Key risks

- Leases – tenants in Japan under Standard Leases benefit from greater legal protections and customary contractual provisions than under Australian law. Standard Leases ordinarily have a two year term with a tenant right of automatic extension. Under ordinary Standard Leases tenants may also terminate a lease by prior notice which may be as short as six months or there may be no limit on the right of tenants to terminate. Tenants may also ordinarily seek rent reductions during the lease term based on rental market changes.

### iii. Risks related to the investment structure

#### **The way in which the properties are held involves certain risks which may adversely affect the value of your investment**

The Trust invests in its portfolio via the TK investment structure, which involves certain risks:

- the Trust has made TK investments (indirectly via the TK Operator to make a TK investment) into the Sub TK Operator under the Sub TK Agreement. The Sub TK Operator is the legal entity holding the Trust Beneficiary Interests of all the properties in the portfolio. The Trust does not own the equity capital of the TK Operator or the Sub TK Operator. Rather, the Trust has a contractual claim against the TK Operator, which will be shown as a liability in the accounts of the TK Operator;
- the Trust does not have any voting rights in relation to the TK Operator or the business of the TK. The business of the TK is governed by the TK Agreement;
- if the Trust or a representative of the Trust is actively involved in the conduct of the TK Business, then there is a risk that the TK would cease to be characterised as a TK for Japanese purposes and would instead be considered to be a Nin'i Kumiai and would potentially have a higher Japanese tax liability plus incur penalties and interest (refer to tax risks below); and
- warranty coverage from vendors of the properties is limited or in some case warranties do not continue after settlement. Where there are warranties there are time and amount limits on claims and the value of any claim depends on the credit worth and continued existence of the vendors, which in some cases are funds which will be wound up. In substance, reliance is being placed on the due diligence conducted for the acquisitions.

### iv. Uninsured risks such as terrorist attacks, war or earthquakes

#### **The value of your investment may decline where insurance does not cover events such as terrorist attacks, war or earthquakes**

The Trust's portfolio has insurance coverage for its properties which includes cover for the risk of loss caused by fire and/or accident and liabilities to third parties for bodily injury and/or property damage. There are, however, certain types of losses that are uninsurable or not generally insured against because it is not economically feasible to insure against such losses. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as an earthquake, tsunami or volcanic eruption.

All the properties in which the Trust holds an interest are located in Japan, a country with a relatively high risk of frequent and high magnitude earthquakes. Historically, there have been large earthquakes that have resulted in extensive property damage, including in the Central and Greater Tokyo area, where many of the properties are located.

Insurance is carried for the properties which GJFML believes is adequate and appropriate given the relative risk of loss, the cost of coverage and industry practice in Japan. In this regard, earthquake insurance is not generally maintained on the properties, except in the case of properties having a PML in excess of 15%.



## Key risks

Following the incidence of terrorist attacks, the availability of cost effective insurance has diminished. In some cases, insurance against previously insurable events has become unavailable. The Trust's investments may be affected by the cost or availability of suitable insurance.

Uninsured events could occur which may result in financial loss to the Trust impacting on returns to unitholders. Should any of the properties suffer from an uninsured loss or a loss in excess of the insured amounts, the Trust could lose some of the capital invested in that property and anticipated future revenue from that property. The TK Operator would also remain liable for any debt or other financial obligations related to that property.

The insurance provider(s) for the Trust and its investments could decline to meet, or meet fully, a claim, either because of their insolvency or for other reasons.

### v. **Global factors which have potential to impact on market volatility**

- **Korean Peninsula:** In 2013 there was an increase in hostilities on the Korean Peninsula following actions by the Democratic People's Republic of Korea. Any outbreak of war in that region or further escalation of such hostilities may adversely affect (among other things) Japan, the Japanese economy, GJT's property portfolio and/or the value of New Units.
- **Syrian conflict:** In 2013 there has been an escalating civil conflict in Syria. Any further escalation of hostilities in Syria, or widening of that conflict to involve the broader international community (including military action or intervention), may lead to market volatility or a decline in market values (including on the ASX), which could adversely affect the value of New Units.
- **U.S. quantitative easing program:** Since late 2008 the U.S. Federal Reserve has conducted a quantitative easing program to lower longer-term interest rates. In June 2013, the U.S. Federal Reserve announced a potential scale back of some of its quantitative easing policies contingent upon a number of factors, including continued positive economic data. Concerns and speculation about when and how U.S. Federal Reserve will scale back its quantitative easing program has increased market volatility and uncertainty in financial markets. Implementation of any scale back may lead to further market volatility or a decline in market values (including on the ASX), which could adversely affect the value of New Units.

### vi. **Future acquisitions / disposals**

#### **Income from your investment may be adversely affected by future acquisitions by the Trust**

GJFML may seek property acquisitions in the future. The rate at which this occurs will depend on market conditions, the availability of suitable real estate on appropriate terms and capital availability at the time. Any future distributions may be adversely affected by future acquisitions and disposals.

### vii. **No guarantee**

#### **There is no guarantee that you will receive distributions, that the value of your investment will increase or that the amount you invest will be preserved**

Neither GJFML nor any other person gives a guarantee as to the amount (if any) of income or capital return from the New Units or the performance of the Trust, nor do they guarantee the repayment of capital from the Trust or that the value of your investment will increase or that the amount you invest will be preserved.

## Key risks

### viii. Economic and market conditions

#### **The price at which your New Units trade may fluctuate**

The value of the underlying assets of the Trust is influenced by macroeconomic factors, including changes in taxation policy, monetary policy, interest rates, inflation, currency exchange rates, regulatory policy, employment and consumer demand. In addition, a number of factors affect the performance of stock market investments, which could affect the price at which the New Units trade on the ASX. Among other things, movements on international and domestic stock markets, interest rates, inflation and inflationary expectations and overall economic conditions, as well as government taxation and other policy changes may affect the demand for, and price of, the New Units.

### ix. Property investment risk

#### **The value of your investment may decline due to adverse changes in the property market**

An investment in the Trust is subject to certain risks associated with the property industry in general. These risks include:

- declines in the value of property assets due to market conditions;
- declines in property income due to rental market conditions (which will vary according to the supply and demand for similar space in the respective markets of each property);
- inability or unwillingness of tenants to meet their lease commitments;
- inability to secure tenants as required to provide rental income;
- changes in occupancy levels of the property assets including extended vacancies;
- operating and third party expenses being greater than estimated;
- the supply of competing existing or new properties, which may reduce the ability to secure lease renewals or obtain new tenants;
- increases in property and transaction taxes;
- changes in zoning or statutory laws affecting usage and property values;
- costs resulting from the clean up of, and liability to third parties for damages resulting from, environmental problems or issues;
- casualty or condemnation losses;
- uninsured damage from floods, earthquakes or other natural disasters;
- general market forces prevailing at the time of the sale of property assets, including demand by investors for property investments; and
- development risk, where developments are intended to be conducted in relation to future acquisitions of interests in property.

In the event that GJFML seeks to return capital to unitholders as a result of the sale of GJT's property portfolio, the ultimate amount of capital returned to unitholders will depend on the price achieved from the sale of those assets. Factors relevant to determining value include rental, occupancy levels and property yield, and these may change significantly over time for a variety of reasons. Valuations represent only the analysis and opinion of qualified experts at a certain date – they are not guarantees of present or future values. The valuation of a property may be materially higher than the amount that can be obtained from the sale of a property in certain circumstances, such as under a distressed or liquidation sale.

## Key risks

### x. **Property income**

Property income is a key driver of the performance of the GJT portfolio and the TK Operators' ability to service debt obligations. The level of property income will depend on factors including rent and occupancy, in relation to which GJFML cannot guarantee the continuation of historical averages for the property portfolio.

### xi. **Post Proposal debt obligations**

The Senior Loan (as refinanced following the Proposal) and New Eurobonds have, and any other debt obligations that may in the future be entered into will have, various terms which, if breached, will likely result in an event of default and higher financing costs. A number of factors impacting the Senior Loan, New Eurobonds and any future debt obligations will not be in GJKK's or GJFML's control, including market conditions which may impact the operating performance of the assets of the TK Business. In addition, there is no certainty that the Senior Loan, New Eurobonds or any other future debt obligations entered into will be able to be refinanced, or refinanced on terms that are substantially comparable to current terms or the terms upon which they are entered.

### xii. **Interest rate risk**

#### **The value of your investment may decline as a result of a movement in prevailing market interest rates**

The Trust is exposed to interest rate movements on floating rate debt obligations (if any) or net cash balances held. It is anticipated that the majority of the Trust's debt will be based on fixed interest rates for the medium to long term. This may be achieved through the Sub TK Operator's use of fixed rate loans or interest rate swaps. The interest rate on the Senior Loan post the Proposal will be fixed on 80% of the principal balance for a period of five years. The interest rate on the New Eurobonds will be fixed for the 7 year term of the bonds.

Nevertheless, there is still a degree of interest rate exposure. Future acquisitions may be funded with a combination of fixed and floating rate debt. A debt provider may terminate a fixed rate financing facility if the loan is in default. In addition, debt providers generally have no obligation to roll over any financing facility at the end of its term. There is no guarantee that future debt facilities may be obtained at comparable interest rates. If a financial facility cannot be entirely refinanced on expiry, the TK Operator may be required to sell an asset or assets, raise funds from an alternative source to reduce or repay the existing facilities then held by the Trust. This may impact the returns to unitholders.

### xiii. **Foreign exchange risk**

Substantially all of the Trust's underlying net assets and income is denominated in Yen. GJT has, since September 2009, been unhedged in relation to the impact of foreign currency movements on equity and net income. Accordingly, the value of your investment may decline due to changes in the relative value of the Australian dollar against the Yen. The Australian dollar has been subject to significant fluctuations with respect to the Yen in the past and may be subject to significant fluctuations in the future. The future level of exchange rates cannot be forecast accurately and is outside GJKK's and GJFML's control. If the Australian dollar appreciates against the Yen, both the value of future Yen denominated distributions and the equity capital in the Trust would decrease.

In addition, if any foreign exchange restrictions were introduced for transactions between Australia and Japan, the Trust may be adversely affected.

## Key risks

### xiv. Changes in government legislation

#### **A change in Australian or Japanese law may adversely affect your investment**

Government legislation, including changes to taxation laws, may affect future earnings and the relative attractiveness of investing in the Trust. Changes to the tax law in Australia may affect the tax treatment of the Trust in particular and the market for property trust investment generally. As the properties of the Trust are located in Japan, changes to Japanese tax laws may adversely impact the Japanese entities in the investment structure of the Trust and accordingly the Trust itself. The Japanese laws relating to taxation are constantly being examined and any change to such laws could adversely affect the Japanese entities and accordingly the Trust itself.

### xv. Change in Accounting Standards

#### **The value of your investment may be adversely affected by changes in accounting standards**

Changes in accounting standards may affect the reported earnings and financial position of the Trust in future financial periods.

### xvi. Taxation

#### **The value of your investment may be adversely affected by changes in Australian or Japanese tax laws or their interpretation or if the Trust fails to satisfy Australian or Japanese tax law requirements**

The Australian taxation system is in the process of major tax reform and includes proposed changes to the taxation treatment of trusts. These reforms are continuing and the precise meaning of much of the new and proposed legislation is unclear and untested. Accordingly, there is a degree of uncertainty as to the interpretation and application of the legislation to the Trust.

Any future reforms on the Australian tax system could have direct impact on the Trust and the treatment of its investment in Japan.

The Japanese tax position of the Trust is based on current tax laws, interpretation and practice in Japan and the Trust satisfying certain requirements under Japanese tax and commercial law. Changes to these requirements or a failure of the TK Operator or the Trust to meet these requirements may increase the Japanese tax payable by the TK Operator or the Trust and have an adverse effect on future earnings and distributions.

If the Trust fails to satisfy the Australian trust loss recoupment rules in relation to its existing tax losses, these losses will not be available going forward. In such case, there is a risk that investors may be subject to Australian income tax liabilities in relation to the taxable income and gains of the Trust.

If the Trust or representative of the Trust were actively involved in the conduct of the TK Business and the TK Agreement were re-characterised as a Nin'i Kumiai, or if the Trust or representative of the Trust otherwise had a permanent establishment in Japan, the Trust could be subject to increased taxation, plus interest and penalties. In such case it would be subject to Japanese tax at the full domestic rate including local tax and would be required to file a tax return in Japan.

# Appendices



Takadanobaba , Tokyo



NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

## Reconciliation from 30 June 2013 actual NTA to Pro forma NTA

	Actual 30 June 2013 <sup>1</sup> A\$'000	Pro forma Adjustments <sup>2</sup> A\$'000	Impact of movement in exchange rate <sup>3</sup> A\$'000	Impact of the Proposal <sup>4</sup> A\$'000	Pro forma 30 June 2013 A\$'000
<b>Assets</b>					
Cash and cash equivalents	36,394	(2,993)	1,360	5,114	39,874
Other assets	6,385	-	260	-	6,645
Investment property	626,146	-	25,900	-	652,045
<b>Total Assets</b>	<b>668,925</b>	<b>(2,993)</b>	<b>27,520</b>	<b>5,114</b>	<b>698,564</b>
<b>Liabilities</b>					
Trade and other payables	13,731	175	452	(3,025)	11,334
Tenant security deposits	36,124	-	1,494	-	37,618
Interest bearing liabilities	548,042	3,532	22,815	(167,571)	406,818
<b>Total Liabilities</b>	<b>597,897</b>	<b>3,707</b>	<b>24,761</b>	<b>(170,595)</b>	<b>455,770</b>
<b>Net Assets</b>	<b>71,028</b>	<b>(6,700)</b>	<b>2,758</b>	<b>175,709</b>	<b>242,794</b>
<b>Unitholders' Equity</b>					
Contributed equity	386,856	-	-	147,004	533,860
Accumulated losses and reserves	(318,534)	(6,504)	2,654	26,724	(295,666)
Non-controlling interest	2,706	(196)	104	1,981	4,600
<b>Total Equity</b>	<b>71,028</b>	<b>(6,700)</b>	<b>2,758</b>	<b>175,709</b>	<b>242,794</b>
Units on issue (million)	8.1			102.0	110.1
<b>Adjusted / diluted NTA (A\$ per unit)</b>	<b>4.03</b>				<b>2.16</b>
<b>Gearing (interest bearing liabilities / total assets)</b>	<b>81.9%</b>				<b>58.2%</b>

1. The 30 June 2013 numbers are sourced from GJT's 30 June 2013 Financial Report, which included a modified review opinion, and is available on GJT's website
2. The Pro forma adjustments are required to reflect the balances as at 9 October 2013 being the anticipated Offer Effective Date
3. This represents the movement in the AUD/JPY exchange rate from ¥91.64 at 30 June 2013 to ¥88.00 (which is the assumed rate at the date of the Proposal)

4. The Proposal adjustments reflect the following: (Refer slide 18)
  - New Units issued under the Proposal
  - Repayment of existing Eurobonds
  - Senior Loan partial principal repayment
  - Repayment of FX Loan
  - Repayment of other liabilities
  - Tenant security deposit reserve top-up
  - Payment of transaction costs



## Reconciliation to FY2014 forecast statutory net income

Reconciliation from FY2014 Pro forma forecast consolidated income statement to forecast statutory net income

Year ending 30 June 2014 (A\$'000s)

<b>Pro forma forecast consolidated net income attributable to GJT for the year ending 30 June 2014 (refer slide 20)</b>	<b>18,233</b>
---	---------------

<b>Pro forma and other adjustments in respect of the period from 1 July 2013 to 9 October 2013:</b>	
---	--

Reduced financing costs as a result of the Proposal	(3,035)
---	---------

Increase in fund management fees	231
----------------------------------	-----

Reduced other expenses as a result of the Proposal	(175)
--	-------

Debt forgiveness on FX loan repayment	27,371
---------------------------------------	--------

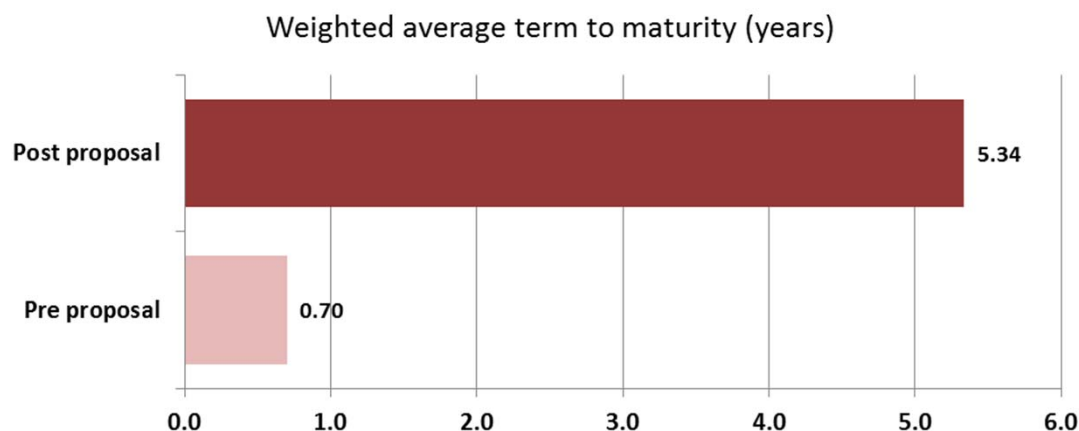
Impact of the above items on outside equity interest	23
--	----

<b>Forecast statutory net income attributable to GJT for the year ending 30 June 2014</b>	<b>42,647</b>
---	---------------

## Revised capital structure post proposal

### Impact of the Proposal on GJT's capital structure and debt maturity profile<sup>1</sup>

Borrowing	Pre Proposal		Post Proposal	
	Amount	Maturity	Amount	Maturity
Senior Loan	¥36.45bn (A\$414.1m)	Mar-14	¥30.00bn (A\$340.9m)	Oct-2018
Eurobonds	¥8.35bn (A\$94.9m)	Sep-14	¥6.12bn (A\$69.5m)	Oct-2020
Convertible Eurobonds <sup>2</sup>	¥2.12bn (A\$24.1m)	Sep-16	Nil	n/a
FX Loan <sup>3</sup>	¥4.00bn (A\$45.5m)	Sep-14	Nil	n/a
<b>Total debt</b>	<b>¥50.92bn (A\$578.6m)</b>		<b>¥36.12bn (A\$410.5m)</b>	



1. Pre-Proposal loan balances reflect the approximate loan balances outstanding as at the assumed date of implementation (9 October 2013)
2. Reflects the face value of the bonds versus the notional value of approximately ¥4.3 billion as at 30 June 2013 adopting GJT book value (which value assumes the bondholder has converted its position into equity in the Japanese TK structure and adjusting for selling costs). Forum Partners has agreed to have the Convertible Eurobonds repaid for ¥2.12 billion
3. Reflects face value of the FX Loan

## Historical exchange rate movements over last 20 years

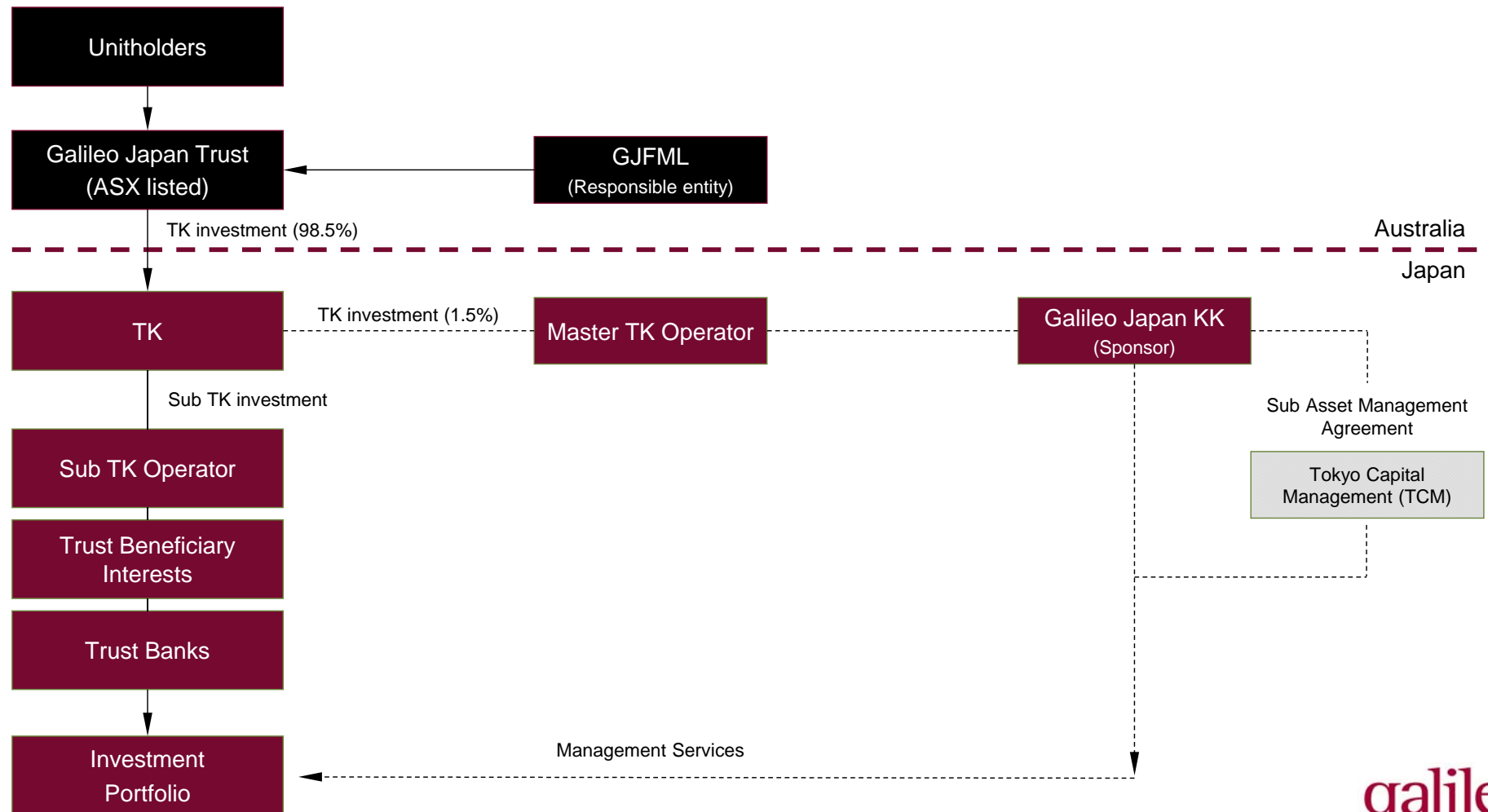
Last 20 years summary statistics

	AUD / JPY	AUD / USD	USD / JPY
Average	79.5	0.76	106.9
Median	79.8	0.75	108.2
Spot	90.1	0.90	99.6



# Organisational structure

GJT is an A-REIT with an indirect exposure to a portfolio of diversified Japanese real estate assets



## Key office assets

### Seishin, Central Tokyo

Description	10 storey multi-tenanted office building with retail on ground floor and basement car park. A short walk to Shinjuku Station
Land Area	887 square metres
NRA	5,587 square metres
Year completed	1989
Carrying Value	¥6.59 billion (independent appraisal Dec'12)
NOI cap. rate	5.20%
Average passing rent (¥/tsubo/month)	¥19,780
Average market rent (¥/tsubo/month)	¥20,922
% of portfolio NOI	8.7%



### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
100%	95.5%	100%	95.3%	85.6%	89.1%	90.9%	100%	100%	95.5%	91.9%	100%
10.39	10.39	9.28	8.40	8.40	7.69	7.69	7.21	6.75	6.51	6.59	6.59

Current book value 37% lower than peak valuation

## Key office assets (continued)

### Tsukasacho, Central Tokyo

Description	8 storey multi-tenanted office building a 4 minute walk from Awajicho Station and 10 minutes from Tokyo Station. The property is located off Sotobori –dori, a major ring road that circles the Imperial Palace. The demand for office space in this location is strong due to its accessibility to other prominent office districts such as Marunouchi and Otemachi
Land Area	709 square metres
NRA	3,251 square metres
Year completed	1988
Carrying Value	¥3.33 billion (independent appraisal Jun'13)
NOI cap. rate	5.20%
Average passing rent (¥/tsubo/month)	¥17,240
Average market rent (¥/tsubo/month)	¥17,500
% of portfolio NOI	5.3%



### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
62.1%	100%	100%	95.3%	85.6%	89.1%	100%	100%	100%	100%	100%	100%
4.93	4.90	4.66	3.70	3.70	3.24	3.39	3.16	3.07	3.26	3.46	3.33

Current book value 32% lower than peak valuation



## Key office assets (continued)

### Kanda, Central Tokyo

Description	10 storey multi-tenanted office building with retail on ground floor and basement car park. A short walk to Akihabara Station
Land Area	594 square metres
NRA	3,394 square metres
Year completed	1991
Carrying Value	¥3.27 billion (independent appraisal Dec'12)
NOI cap. rate	5.30%
Average passing rent (¥/tsubo/month)	¥17,808
Average market rent (¥/tsubo/month)	¥18,213
% of portfolio NOI	5.0%

### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
100%	100%	100%	100%	100%	100%	99.2%	100%	100%	100%	100%	100%
5.64	5.64	5.25	4.20	4.20	3.82	3.82	3.60	3.44	3.35	3.27	3.27

Current book value 42% lower than peak valuation



## Key office assets (continued)

### Takadanobaba, Central Tokyo

Description	14 storey multi-tenanted office building with basement car park. A short walk to Takadanobaba Station.
Land Area	915 square metres
NRA	3,691 square metres
Year completed	1994
Carrying Value	¥3.12 billion (independent appraisal Jun'13)
NOI cap. rate	5.30%
Average passing rent (¥/tsubo/month)	¥13,761
Average market rent (¥/tsubo/month)	¥14,823
% of portfolio NOI	4.1%

### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
100%	100%	100%	93.9%	86.0%	100%	100%	100%	100%	100%	100%	100%
4.70	4.70	4.21	4.10	4.10	3.52	3.52	3.30	3.23	3.11	3.11	3.12

Current book value 34% lower than peak valuation





# Key retail assets

## La Park Kishiwada SC - Osaka

Description	Large enclosed sub-regional mall located 19 km south east of Osaka, 14 km north east of Kansai International Airport and 200 metres from Haruki Railway Station. The centre includes, GMS, supermarket, 30 specialty stores, Ten Pin Bowling, Karaoke Centre, Pachinko Hall, City Council offices and Community Sports Facility
Land Area	39,789 square metres
NRA	49,088 square metres
Year completed	1994
Carrying value	¥6.93 billion (independent appraisal Jun'13)
NOI cap. rate	6.80%
% of portfolio NOI	13.4%
Primary catchment	5km radius, resident population exceeds 350,000
Competition	0.92 square metres per capita (Osaka average 1.06 square metres)
Demographic	Higher than average representation of young families (35-44 yo)



## History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
99.8%	99.7%	99.7%	99.8%	99.8%	100%	100%	99.6%	99.4%	99.8%	99.7%	99.8%
11.17	10.80	10.30	9.19	9.19	9.19	9.19	8.64	8.39	7.51	6.76	6.93

Current book value 38% lower than peak valuation

## Key retail assets (continued)

### Suoy Mall - Fukuoka

Description	Power Centre/Big Box format located approximately 20 kilometres southeast of Fukuoka. The property enjoys major road frontage midway between the JR Harada and JR Keyakida stations
Land Area	121,423 square metres
NRA	32,160 square metres
Year completed	2007
Carrying Value	¥7.38 billion (independent appraisal Dec'12)
NOI cap. rate	6.00%
% of portfolio NOI	13.4%
Primary catchment	10km radius, resident population exceeds 370,000
Competition	0.73 square metres per capita (Japan average approximately 1.0 square metre)
Demographic	High concentration of 25 to 29 year olds. Relatively strong population growth



### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
100%	100%	100%	100%	100%	100%	99.6%	100%	100%	100%	100%	100%
9.43	9.07	8.65	7.53	7.53	7.53	7.42	7.42	7.10	7.41	7.38	7.38

Current book value 22% lower than peak valuation



## Key retail assets (continued)

### Suoy Mall - Nagamine

Description	The property occupies an “urban in-fill” location in a well established neighbourhood surrounded by residential, commercial and industrial developments. The site is well positioned and accessible having three street frontages
Land Area	28,546 square metres
NRA	12,585 square metres
Year completed	2007
Carrying Value	¥3.97 billion (independent appraisal Jun'13)
NOI cap. rate	6.20%
% of portfolio NOI	7.7%



### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
91.5%	91.5%	89.5%	93.5%	95.9%	97.1%	97.1%	100%	100%	100%	100%	100%
4.30	4.56	4.30	4.00	4.00	4.00	4.02	4.02	3.91	3.94	3.94	3.97

Current book value 13% lower than peak valuation



## Key retail assets (continued)

### Seiyu - Minakuchi

Description	A four storey department store/supermarket located in the Shiga prefecture. Seiyu is a well known Japanese GMS (general merchandise store) wholly owned by Wal-Mart Corporation, the worlds largest retailer as measured by sales volume
Land Area	19,918 square metres
NRA	23,815 square metres
Year completed	1999
Carrying Value	¥3.87 billion (independent appraisal Jun'13)
NOI cap. rate	6.60%
% of portfolio NOI	7.6%
Competition	0.58 square metres per capita (Japan average 1.0 square metres)

### History – occupancy % / book value ¥bn

Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
4.40	4.40	4.27	3.72	3.72	3.72	3.72	3.65	3.52	3.74	3.74	3.87

Current book value 12% lower than peak valuation





## Galileo Japan K.K. key personnel profiles

### **Robert S. Morikuni - Representative Director**

Mr. Morikuni holds a Degree in Architectural Studies from the University of Illinois, Champaign-Urbana and an MBA from the University of Hawaii, Manoa. He has worked in Japan for over 18 years. He brings a broad range of experience to Galileo having a background which includes structural engineering and construction management with Maeda Corporation and real estate brokerage and consultancy with CB Richard Ellis. Prior to joining Galileo, Mr. Morikuni held the position of Regional Director of Real Estate Investment for the Japan entity of Manulife Financial where his role included acquisitions, establishment of an asset management division and management of Manulife's Japanese real estate portfolio.

### **Makoto Muranaka - Director of Finance & Internal Auditor**

Mr. Muranaka has been engaged in finance, accounting and tax working for Tomen Corporation (including 6 years in Australia), Colony Capital Asia Pacific Tokyo Branch and most recently Prudential Real Estate Investors (Japan) KK as Senior Vice President. Mr Muranaka has more than 26 years of accumulated experience in real estate acquisitions, including M&A and cross boarder tax structuring over the last 10 years. He holds a money lender's business license and a real estate broker's license (Takken).

### **Edmond D. Courtroul - Legal Counsel & Compliance Officer**

Mr. Courtroul received his JD from Southern Methodist University and is admitted to the Texas State Bar. He has 14 years experience in corporate and real estate matters in Japan. Prior to joining Galileo, he was Senior Legal Counsel for Panasonic and Chief Legal Officer for the Redwood Group. In addition to his role as legal counsel for the company Mr. Courtroul is also responsible for compliance. He is fluent in Japanese.

### **Ryunosuke "Rick" Nakajima - Senior Vice President, Investments**

Mr. Nakajima has over 12 years of real estate business experience in Japan including 6 years in the securitization field. He developed office buildings and condominiums at a development firm for five years and subsequently joined the funds business. His main roles with previous employers, DTZ Japan and Unified Capital Japan, were to source, analyze, close and manage investment transactions. He holds a real estate broker's license (Takken) and Certified Building Administration (CBA) qualifications and is fluent in English.

### **Hirofumi Kambayashi - Asst. Senior Vice President, Asset Management**

Mr. Kambayashi has obtained tertiary qualifications from Doshisha University and Michigan State University. He was a senior manager at Capital Advisors Co Ltd where he specialised in hospitality assets. He was responsible for all facets of asset management including acquisition, disposition and due diligence. Prior to that he was in a senior position in the asset management division of Jones Lang LaSalle Tokyo. He holds a real estate broker's license (Takken) and Certified Building Administration (CBA) qualifications.

### **Shunsuke Yoshida - Vice President, Asset Management**

Mr. Yoshida has over ten years of real estate related business experience in Japan. He was an asset manager at Macquarie Real Estate Capital, K.K. where he was responsible for multiple types of properties including office, retail and residential. Prior to that he specialised in retail properties at Pacific Management Corp. where his main focus was on acquisitions and leasing. He holds a real estate broker's license (Takken) and ARES Certified Master (ACM) qualifications.

### **Shiro Morimoto - Vice President, Asset Management**

Mr. Morimoto holds a B.A. in Finance from the University of Nevada Las Vegas. Prior to joining Galileo in 2011, he spent four years engaged in all facets of asset management for KW Investment Co., a subsidiary of Kennedy Wilson. He was also involved with treasury accounting and compliance related roles.

### **Reiko Yasuda - Senior Manager, Business Administration**

Ms. Yasuda is a qualified Japanese translator and interpreter. Prior to her return to Tokyo to take up this role, she spent 7 years in Australia (6-months at the Galileo Sydney office). Her main focus is compliance and legal related reporting in addition to providing translation and interpretation as well as IT systems support. She holds a real estate broker's license (Takken) and is also a certified Compliance Officer.

## Glossary

<b>ASX</b>	Australian Securities Exchange, as operated by ASX Limited (ABN 98 008 624 691)
<b>AUD</b>	Australian dollars
<b>Committee of independent Directors</b>	Means a committee of independent directors, being the directors of GJFML who do not have any interest in the Proposal (other than as a Unitholder of GJT) and includes Mr Jack Ritch, Mr Frank Zipfinger, Mr Phillip Redmond and Mr Peter Murphy
<b>Commercial Code of Japan</b>	Japanese commercial legislation governing various business arrangements
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>DPU</b>	Distributions per unit
<b>DSCR</b>	Debt service coverage ratio
<b>EGM</b>	Extraordinary general meeting of GJT unitholders, expected to be held on 2 October 2013
<b>EPU</b>	Earnings per unit
<b>FX Loan</b>	The foreign currency loan between GJFML and Galileo Finance, as agent for an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML) with an interest in 50% of the loan, and Forum (with an interest in the remaining 50%)
<b>GJFML</b>	Galileo Japan Funds Management Limited (ABN 59 121 567 244) (AFSL 305 429), as Responsible Entity of the Trust
<b>GJKK</b>	Galileo Japan KK
<b>GJT or Trust</b>	Galileo Japan Trust (ARSN 122 465 990)
<b>Greater Tokyo</b>	The Tokyo metropolitan region, comprising the prefecture of Tokyo and the three neighbouring prefectures of Saitama, Kanagawa and Chiba
<b>Institutional Placement or Offer</b>	The institutional placement (including Related Party Placement component) to raise approximately A\$153 million at A\$1.50 per New Unit
<b>JPY, Yen or ¥</b>	Japanese currency
<b>Joint Lead Managers</b>	Moelis Australia Advisory Pty Ltd (ACN 112 734 166) and Macquarie Capital Pty Limited (ACN 112 734 166)
<b>LIBOR</b>	3-month Japanese yen London interbank offered rate
<b>LTV</b>	Loan to value ratio
<b>Master TK</b>	Central Master Godo Kaisha
<b>New Units</b>	New units in GJT to be issued under the Offer
<b>New Eurobonds</b>	The issuance of new Eurobonds by the TK Business to raise ¥6.00 billion (A\$68.2 million)

## Glossary (continued)

<b>NOI</b>	Net property income
<b>NTA</b>	Net tangible assets
<b>Offer Price</b>	The price of A\$1.50 for each New Unit to be issued under the Institutional Placement
<b>PML</b>	Probable maximum loss
<b>Pro forma</b>	Assumes implementation of the proposal from 1 July 2013
<b>Proposal</b>	The Institutional Placement (including Related Party Placement component), New Eurobonds and refinancing of the Senior Loan
<b>Recapitalisation Presentation</b>	This Recapitalisation Presentation dated 9 September 2013
<b>Related Party Placement Component</b>	A component of the Institutional Placement comprising the placement of New Units with a value of A\$5 million at A\$1.50 per New Unit to GJFML in its personal capacity
<b>Relationship Partners</b>	Nippon Kanmai Co, and or its affiliates
<b>SEC</b>	US Securities and Exchange Commission
<b>Senior Loan</b>	Senior loan facility
<b>Standard Leases</b>	<p>One of two types of leases in Japan.</p> <ul style="list-style-type: none"> <li>• Standard leases provide significant protection for tenants as they are renewable in perpetuity, and there are limits for rent increases based on reasonableness</li> <li>• Fixed term leases more closely resemble those operating in other countries, including Australia. They have prescribed terms, allow for renegotiation of all covenants at the end of the term and in some instances provide for periodic rent reviews throughout the term. Fixed term leases are becoming more common in the Japanese property market due to an increase in foreign investment</li> </ul>
<b>Sub TK Agreement</b>	The TK agreement between TK Operator and Sub TK Operator
<b>Sub TK Business</b>	The business of Central Sub Godo Kaisha in accordance with the Sub TK Agreement
<b>Sub TK Operator</b>	The operator of the Sub TK Business
<b>TK or Tokumei Kumiai</b>	A contractual relationship or series of contractual relationships between one or more investors and a TK Operator under Article 535 of the Commercial Code of Japan



## Glossary (continued)

<b>TK Agreement</b>	The agreement between Galileo Japan Trust II, Trust Company Ltd and the TK Operator in relation to the TK Business
<b>TK Business</b>	The consolidated business of Central Master Godo Kaisha and Central Sub Godo Kaisha in accordance with the TK Agreements
<b>TK Operator</b>	The operator of the TK Business
<b>Trust Beneficiary Interest</b>	A trust beneficiary interest under a trust, the trustee of which is a trust bank licensed in Japan which holds legal title to the entrusted property. The interest may be evidenced by a trust beneficiary certificate
<b>TSD</b>	Tenant security deposits
<b>US Securities Act</b>	US Securities Act of 1933