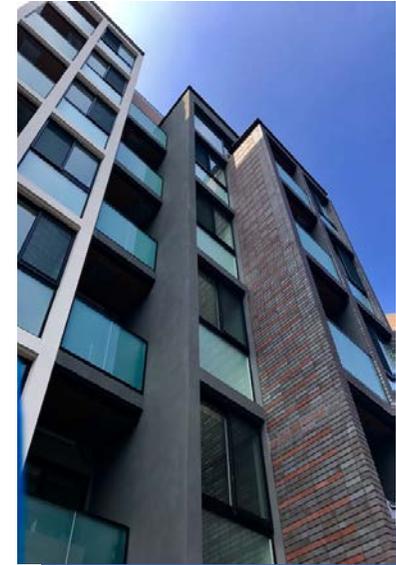


## Financial Results for the 3<sup>rd</sup> Fiscal Period (“FP3”)

Sakura Sogo REIT Investment Corporation (Securities code: 3473)



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## Section 1 – The Sponsors



The Nippon Kanzai Group, established in 1965, is headed by Nippon Kanzai Co. Ltd., one of the major companies involved in building management and operation in Japan, offering a full-line of real estate management services. It is entrusted with the management and operation of a variety of buildings including office buildings, condominiums and retail facilities in major cities across Japan. Through its business operations, it has acquired extensive know-how in management and operation of buildings of various sizes, asset types and location.

% Revenue from Building Maintenance Operations<sup>1</sup>

**87.6%**

Revenue from Building Maintenance Operations<sup>1</sup>

**¥ 81.0bn**

Total Revenue<sup>1</sup>

**¥ 92.5bn**

<sup>1</sup> As at end of March 2017

<sup>2</sup> Based on exchange rate TTP as at end March 2018



The Galileo Group is an independent Australian real estate and funds management business with an extensive track record in real estate investment and development in Australia, Japan and the U.S. Galileo has significant real estate capital markets experience with senior personnel having been directly involved in the IPO and ongoing management of 9 listed REITs for over 20 years. The Group commenced operations in Japan in 2006.

Galileo Group Total Global Acquisitions and Developments<sup>2</sup>

**¥ 531.6bn**

REIT Track Record

- 2003 | ASX listed REIT: Galileo Shopping America Trust
- ▼
- 2006 | ASX listed REIT: Galileo Japan Trust
- ▼
- 2016 | TSE listed REIT: Sakura Sogo REIT

## Leverage off of the complementary skill sets of Nippon Kanzai Group and Galileo Group

Sakura Real Estate Funds Management, Inc. ("the Asset Management Company") receives extensive support for external and internal growth based on the Sponsor Support Agreements executed with Nippon Kanzai Group's core companies and Galileo Group<sup>1</sup>

Support Provided	
External Growth Support	Sales information on properties held and granting first rights of refusal
	Information on external properties
	Warehousing functions
	Information on the real estate transaction market and results of market analysis
	Joint ownership of opportunities
Internal Growth Support	Advice on investment strategies and global offerings
	Advice on the management and operation of properties
	Support and cooperation with sourcing, redevelopment and renovations
	Staff secondment and other human resource support

## Same Boat Investment by the Nippon Kanzai Group and Galileo Group

Both sponsors<sup>2</sup> acquired investment units of the Investment Corporation at the time of IPO in order to align their interests with those of the unitholders'. As a result, each owns 2.6% of investment units issued and outstanding (5.2% in total by both sponsors)



<sup>1</sup> "Nippon Kanzai Group's core companies" refers to Nippon Kanzai, Tokyo Capital Management and Japan Property Solutions

<sup>2</sup> "Sponsors" refers to Nippon Kanzai, Tokyo Capital Management and Galileo which have executed Sponsor Support Agreements

## Galileo Group - impressive development track record

- Delivered some of Australia's most attractive and successful residential apartment and land subdivision projects
- Equity partnerships with a number of leading Australian financial institutions and superannuation funds
- Land and construction financing with a range of major Australian banking institutions
- Galileo considering opportunities to expand development operations in Japan
- Japan focus - development of small / mid size assets. Potential pipeline for Sakura Sogo REIT

## Examples of current / recent key projects in Australia

King & Phillip



Location	Sydney
Apartments	104
Value	¥30bn
Completion	2020

Metro Residences



Location	Sydney
Apartments	553
Value	¥44bn
Completion	2015

Arlington Grove



Location	Sydney
Apartments	246
Value	¥19bn
Completion	2018

The Residences



Location	Sydney
Apartments	87
Value	¥28bn
Completion	2014

Arena



Location	Brisbane
Apartments	191
Value	¥9bn
Completion	2015

Palisade



Location	Sydney
Apartments	245
Value	¥14bn
Completion	2018

## Overview

- Flexible investments possible with respect to asset type and location enabling the Asset Management Company to enhance unitholder value
- Able to reduce portfolio concentration risks by aiming to diversify the portfolio by sector, location, tenant and lease type
- Ongoing review of real estate market trends to identify potential new, and optimize existing revenue streams
- Pursue opportunities to actively recycle capital to enhance unitholder returns

## Investment Ratio by Asset Type<sup>1</sup>

	Investment Ratio by Asset Type	Characteristics of Asset Type
<p>Growth</p> <p>Stability</p>	<p>Office</p> <p>30~60%</p>	<ul style="list-style-type: none"> <li>▪ During economic expansion, up-side potential can be capitalized on</li> <li>▪ By targeting office buildings of a B-grade standard or above for investment, it is possible to pursue a large number of investment opportunities that offer relatively high liquidity and tenant diversity</li> </ul>
	<p>Residential</p> <p>10~30%</p>	<ul style="list-style-type: none"> <li>▪ Rental demand and rent rates are relatively stable irrespective of economic changes and tenants are diversified making residential housing suitable as a medium to long-term stable investment</li> </ul>
	<p>Retail</p> <p>30~60%</p>	<ul style="list-style-type: none"> <li>▪ Areas with stable population, expected to support ongoing retail sales that result in secure rental income</li> <li>▪ A long-term stable cash flow possible via lease agreements with a tenure of at least three years or more which do not allow for early termination</li> </ul>
	<p>Other</p> <p>0~20%</p>	<ul style="list-style-type: none"> <li>▪ The potential and value of each individual property will be identified and the goal will be to conduct flexible property acquisition and investment</li> </ul>

## Investment Ratio by Location<sup>2</sup>

<p>Tokyo Metropolitan Area</p> <p>Approx. 50%</p>	<p>Regional Major Cities</p> <p>Approx. 40%</p>	<p>Other</p> <p>Approx. 10%</p>
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<sup>1</sup> The Investment Corporation may consider properties which do not fulfill some of the above criteria and acquire if it believes this is in the best interests of unitholders.

<sup>2</sup> The ratios above are target ratios over the medium to long-term which depending on the real estate market and future property acquisitions may temporarily exceed or fall below the target ratios.

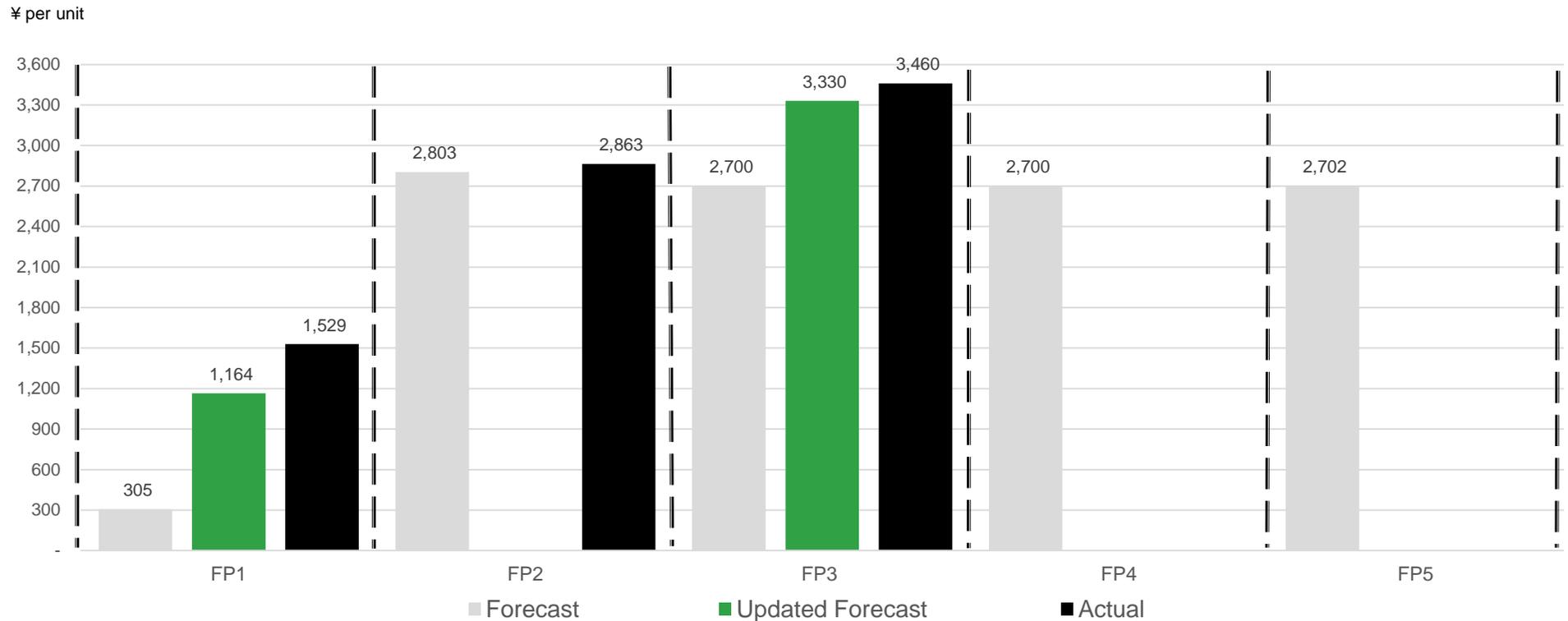
## Section 2 – FP3 Financial Results

## FP3 - Forecast vs. Actual

	Unit: ¥ mil			Comment
	FP3 Forecast	FP3 Actual	Variance	
Operating revenue	2,645	2,662	17	<ul style="list-style-type: none"> <li>▪ Increase in operating revenue:                             <ul style="list-style-type: none"> <li>- ¥11m increase in carpark revenue from Shiroi Logiman co-op</li> <li>- ¥4m revenue increase at Yoyogi due receipt of key money</li> </ul> </li> <li>▪ Reduction in operating costs:                             <ul style="list-style-type: none"> <li>- decrease in utilities, non-deductible consumption taxes and other management expenses</li> </ul> </li> <li>▪ Net realized gain on sale of Sannomiya is included in both Forecast (Y263) and Actual (Y261m)</li> </ul>
Operating expenses	1,384	1,358	(26)	
Operating profit	1,261	1,304	43	
Non-operating expenses	150	151	1	
Ordinary profit	1,109	1,153	44	
Net profit	1,109	1,152	43	
Distribution per unit (DPU) (¥)	<b>3,330</b>	<b>3,460</b>	<b>130</b>	

## Forecast for FP4 and FP5 (fiscal periods ending 31 August 2018 and 28 February 2019)

	Unit: ¥ mil		Unit: ¥ mil	
	FP4 Forecast	Comment	FP5 Forecast	Comment
Operating revenue	2,448	<ul style="list-style-type: none"> <li>▪ Stabilized NOI and Investment corporation expenses from FP4</li> </ul>	2,418	<ul style="list-style-type: none"> <li>▪ Slight decrease in operating revenue and expenses due to seasonal fluctuations when compared to FP4</li> </ul>
Operating expenses	1,394		1,353	
Operating profit	1,054		1,065	
Non-operating expenses	154		165	
Ordinary profit	900		900	
Net profit	899		899	
Distribution per unit (DPU) (¥)	<b>2,700</b>		<b>2,702</b>	
Annualized DPU yield <sup>1</sup>	<b>5.7%</b>			



< 1 Apr 2016 to 28 Feb 2017 >

- Savings in investment unit issuance costs
- Annual building inspection contingency not required
- Lower than forecast costs for audit, tax and accounting

< 1 Mar 2017 to 31 Aug 2017 >

- Increase in occupancy
- Savings in operating expenses

< 1 Sep 2017 to 28 Feb 2018 >

- Includes net realized gain on sale of Sannomiya (¥261m)
- Management fee waiver based on NOI ended FP2

< 1 Mar 2018 to 31 Aug 2018 >

- Represents stabilized DPU (NOI and Investment Corporation expenses)

< 1 Sep 2018 to 28 Feb 2019 >

## Section 3 – FP 3 Key Initiatives to Enhance Unitholder Value

## Sale of Regional Residential asset at attractive premium

Royal Hill Kobe Sannomiya II



NOI Yield <sup>1</sup>	4.6%
Post dep'n NOI yield	3.3%
Realised gain	317m
Build date	Sep 2004
Acquisition date	9 Sep 2016
Date of sale	11 Sep 2017
Sale price	¥1.800bn
Appraisal value	¥1.550bn
Acquisition price	¥1.480bn
Book value	¥1.483bn



## Acquisition of new Central Tokyo Residential

Abode Yoyogi Parkside, Shibuya-ku

NOI Yield <sup>2</sup>	4.4%
Post dep'n NOI yield	3.8%
Build date	20 Sep 2017
Acquisition date	29 Sep 2017
Appraisal value	¥1.610bn
Acquisition price	¥1.600bn
Source	Direct



Portfolio weighting to Tokyo **51% to 54%**

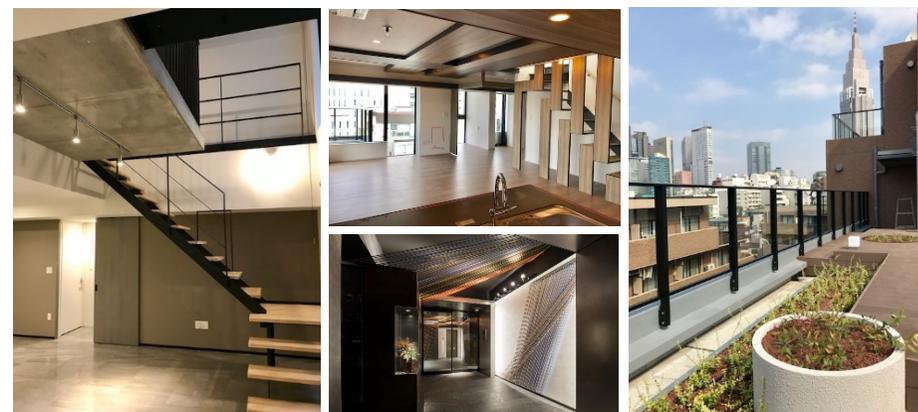
Premium to September 2016 acquisition price **22%**

Upgrade to FP3 DPU (¥2,700 to ¥3,330) **23%**

Average age of residential portfolio reduced<sup>3</sup> **3 years**

Reduction in medium term (12 year) capital expenditure<sup>4</sup> **¥78m**

Increase in post dep'n NOI yield **0.5%**



<sup>1</sup> NOI Yield equates to appraisal NOI / sale price

<sup>2</sup> NOI Yield equates to appraisal NOI / acquisition price

<sup>3</sup> Average age of residential portfolio decreased from 22 to 19 years

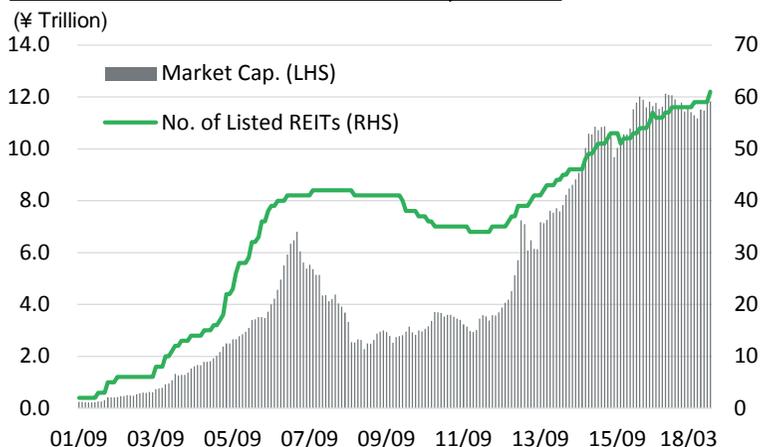
<sup>4</sup> Forecast capital expenditure decreased from ¥85.8 mil to ¥7.7 mil

## Section 4 – JREIT Sector & Peer Comparison

## JREIT Sector

- Total market capitalization as at February 2018 of ¥11.8 trillion
- 60 JREIT's with 2 new entrants in 2018. The volume of IPO and PO has decreased relative to the level of activity over the past 5 to 6 years
- The DPU yield gap of larger vs smaller REIT's remains wide

Number of Listed J-REITs and Market Capitalisation<sup>1</sup>



Number of Listed J-REITs and Market Capitalisation<sup>3</sup>

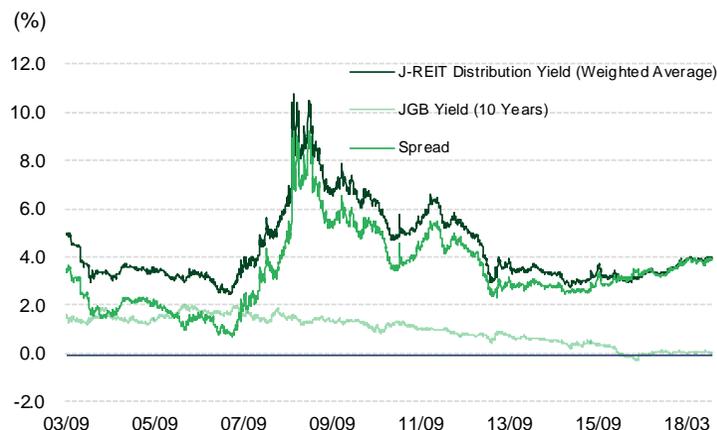
Year	IPO		PO		IPO+PO		J-REIT Total Market Cap (USDm)
	Volume	Value (USDm)	Volume	Value (USDm)	Volume	Value (USDm)	
2012	4	2,620	11	2,055	15	4,674	42,497
2013	6	4,260	37	7,039	43	11,299	71,699
2014	6	2,237	30	5,464	36	7,701	99,609
2015	5	1,131	35	6,608	40	7,739	99,438
2016	7	2,885	30	5,159	37	8,044	114,156
2017	2	930	25	4,260	27	5,190	108,052
2018	2	439	6	448	8	887	111,394

Note: Exchange rate as of 30 March 2018 (1 USD=¥106.20)

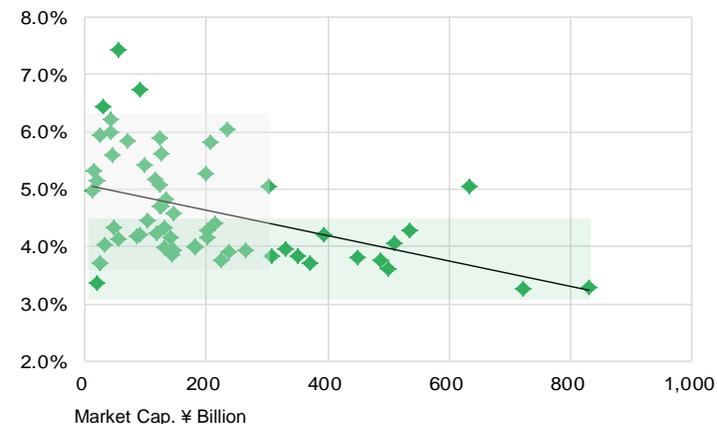
<sup>1</sup> Source: ARES  
<sup>2</sup> Source: Bloomberg

<sup>3</sup> Source: ARES  
<sup>4</sup> Source: Capital IQ

JREIT DPU Yields – Spread with JGBs still attractive<sup>2</sup>



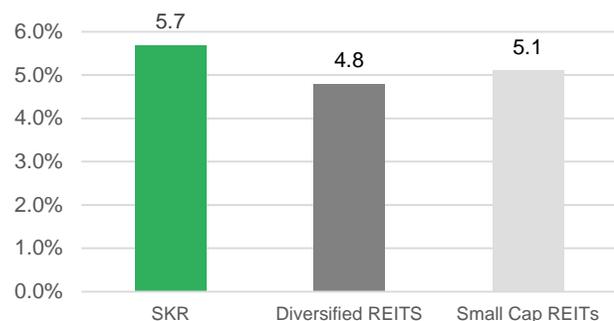
JREIT DPU Yields – Significant gap between small and large cap REITs<sup>4</sup>



## JREIT Peer Comparison<sup>1</sup>

- Sakura Sogo REIT (“SKR”) undervalued compared to Diversified and Small Cap REIT peers
- SKR’s forecast DPU yield is 90 basis points (“bps”) higher than Diversified REITs and 60 bps higher than Small Cap REITs as of 12 April 2018
- Based on current trading price SKR’s implied NOI cap rate is 5.2%, 50 bps higher than Diversified REITs
- SKR has a greater proportion of its portfolio (by value) located in Tokyo’s central five wards relative to:
  - The average for Diversified REITs
  - The average for Small Cap REITs

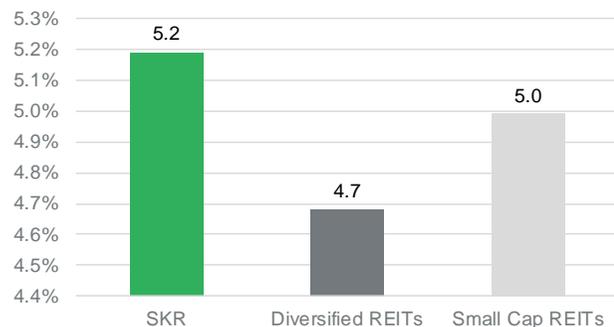
Annualised DPU Yield<sup>1</sup>



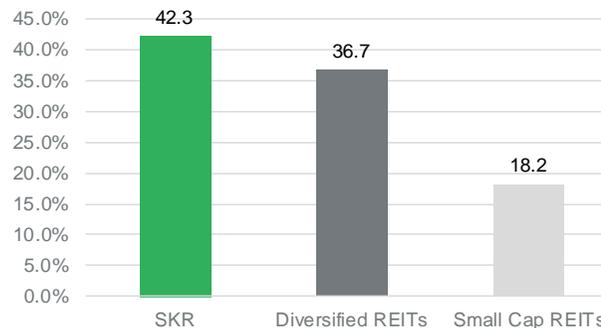
Price / Net Asset Value<sup>3</sup>



Implied Capitalization Rate<sup>2</sup>



% of Portfolio located in Tokyo Central Five Wards<sup>4</sup>

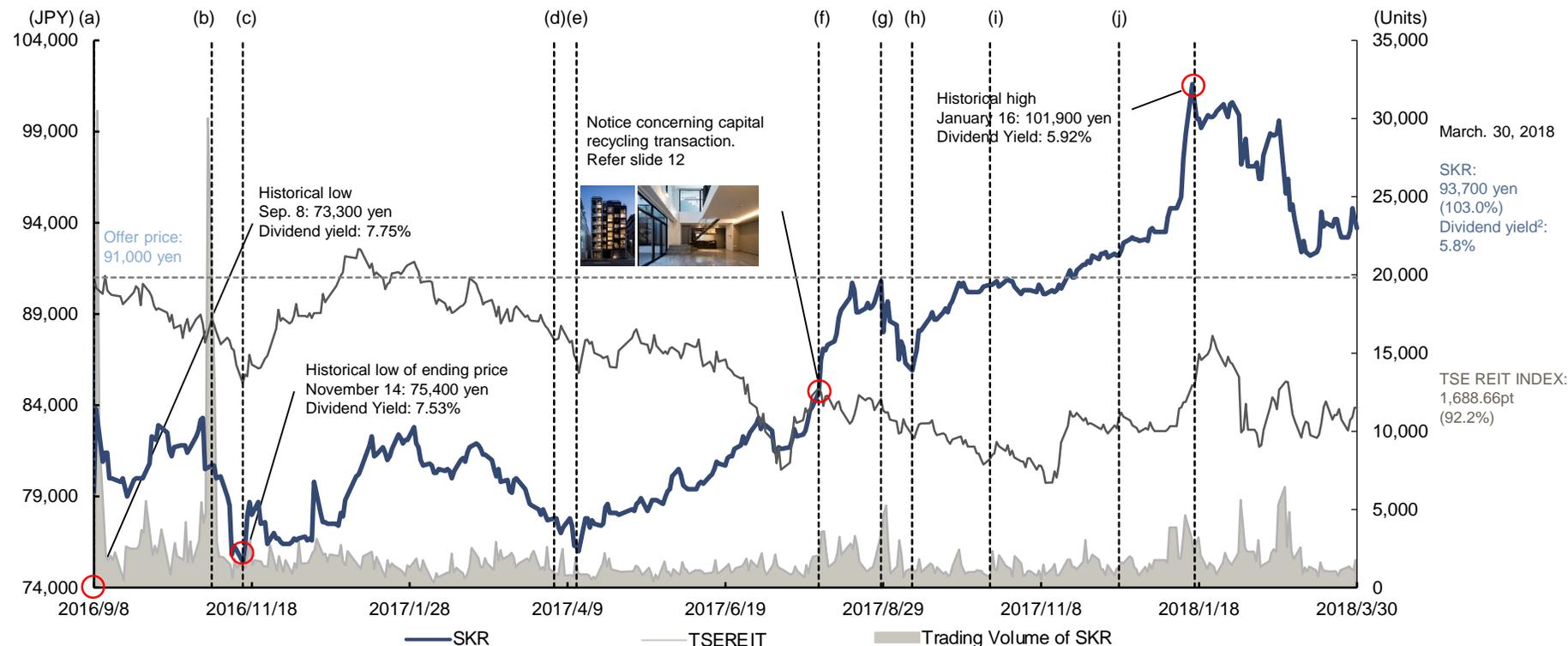


<sup>1</sup> Source: SMBC Nikko Securities Inc.- calculated using data obtained from Capital IQ

<sup>2,3</sup> Source: SMBC Nikko Securities Inc.

<sup>4</sup> Source: J-REIT DB – Weighted average calculated using AUM of each J-REIT

After some short term underperformance post IPO, SKR units generally traded in sync with the fluctuation of the TSE REIT index. However, after the announcement of FP3 Asset Replacement on July 31, 2017, SKR units recovered to the IPO offer price, marking a historical high price of 101,900 yen in mid-January 2018



(a)	(Thu) Sep. 8, 2016	SKR listed on the stock market.
(b)	(Mon) Oct. 31, 2016	SKR included in TSE REIT INDEX.
(c)	(Mon) Nov. 14, 2016	Released revision of earnings forecast and interim financial results.
(d)	(Mon) Apr. 3, 2017	Announced execution of pipeline support agreements by asset management company.
(e)	(Thu) Apr. 13, 2017	Released Financial Results for the 1 <sup>st</sup> fiscal period.

(f)	(Mon) Jul. 31, 2017	Announced acquisition of "Abode Yoyogi Parkside". Announced disposition of "Royal Hill Kobe Sannomiya II". Released revision of operating and distribution forecasts for the fiscal periods ending Aug. 2017 and Feb. 2018. (JPY 2,700, JPY 3,460)
(g)	(Mon) Aug. 28, 2017	Announced debt refinancing of short and long term borrowings.
(h)	(Mon) Sep. 11, 2017	Announced completion of disposition of "Royal Hill Kobe Sannomiya II".
(i)	(Mon) Oct. 16, 2017	Released Financial Results for the 2 <sup>nd</sup> fiscal period.
(j)	(Wed) Dec. 13, 2017	FOMC announced lifting federal funds target rate by 25 basis points, to a 1.25 to 1.50 percent range.

<sup>1</sup> As of Mar 30th 2018. Indexation by using SKR offer price (91,000 yen).

<sup>2</sup> Dividend yield calculated using current DPU forecast for FP4 & FP5 (JPY2,700 and JPY2,702 respectively) and Mar. 30<sup>th</sup> 2018 SKR closing price (JPY93,700)

Source: Bloomberg

## Section 5 - Key Performance Indicators

## Overview

Real estate market conditions remain robust. According to CBRE Tokyo office vacancy continued to fall and was 1.5% as at Q4 2017.

- Increase of 0.9% in portfolio appraisal value. Office continued to be the strongest sector with a 2.0% increase
- Continued high level of occupancy across the portfolio
- Continued upward rent reviews in the office portfolio

## Portfolio Value

	Appraisal Value (¥ bn)	Book Value (¥ bn)	Unrealized Gain (¥ bn)
@ FP2 31 August 2017	60.005	57.655	2.350
@ FP3 28 February 2018	60.543	57.673	2.870
<b>Variance</b>	0.9% ↑	0.0% ↔	22.1% ↑



Hiei Kudan Building

## Portfolio Performance

	Occupancy (%)	NOI Cap Rate (%) <sup>1</sup>	NOI (¥bn) <sup>1</sup>
@ FP2 31 August 2017	98.0	5.3	3.152
@ FP3 28 February 2018	98.4	5.2	3.132
<b>Variance</b>	0.4 ↑	0.1 ↓	0.6% ↓



Suroy Mall Chikushino

## Office Market Trends

	Office Market Rents <sup>2</sup>	Office Passing Rents <sup>3</sup>	Tokyo Office Vacancy (%) <sup>4</sup>
@ FP2 31 August 2017	16,295	15,602	2.3
@ FP3 28 February 2018	16,295	15,770	1.5
<b>Variance</b>	0.0% ↔	1.1% ↑	0.8 ↓



NK Building

<sup>1</sup> As per independent appraisals dated August 2017 and February 2018

<sup>2</sup> Weighted average office market rents (¥/tsubo/month) as per independent appraisals dated August 2017 and February 2018

<sup>3</sup> Weighted average office passing rent (¥/tsubo/month) as per office lease agreements reflected in independent appraisals dated August 2017 and February 2018

<sup>4</sup> Source: CBRE Market Overview Japan Office Q2 2017 and Q4 2017. Vacancy rate represents "All Office Grades" (Grade A, Grade A-minus and Grade B)

	Office	Retail	Residential	Other
<b>Occupancy (%)</b>				
@ FP2 31 August 2018	97.9	98.8	95.9	97.8
@ FP3 28 February 2018	99.8	98.9	96.4	98.2
<b>Variance</b>	1.9 ↑	0.1 ↑	0.5 ↑	0.4 ↑
<b>Passing Rents<sup>1</sup></b>				
@ FP2 31 August 2018	15,602	4,889	4,556	4,542
@ FP3 28 February 2018	15,770	4,845	4,636	4,525
<b>Variance</b>	1.1% ↑	0.9% ↓	1.8% ↑	0.0% ↔
<b>Appraisal Values (¥bn)<sup>2</sup></b>				
@ FP2 31 August 2018	26.240	23.170	6.575	4.020
@ FP3 28 February 2018	26.760	23.120	6.645	4.018
<b>Variance</b>	2.0% ↑	0.2% ↓	1.1% ↑	0.0% ↔
<b>NOI Cap Rates (%)<sup>2</sup></b>				
@ FP2 31 August 2018	4.5	5.7	6.3	6.0
@ FP3 28 February 2018	4.3	5.8	6.0	6.0
<b>Variance</b>	0.2 ↓	0.1 ↑	0.3 ↓	0.0 ↔

<sup>1</sup> ¥ per tsubo per month reflecting in place passing rents

<sup>2</sup> As per independent appraisals dated August 2017 and February 2018

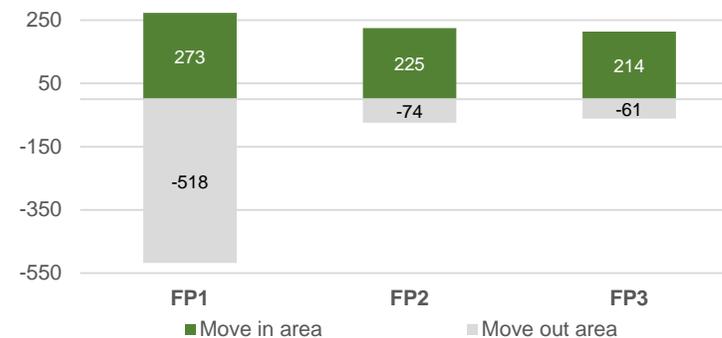
## Rent reviews<sup>1</sup>

Number of rent reviews	3
% of office portfolio reviewed	6.4
Number of rent increases	1
NRA with rent increase (tsubo)	366.1
Average rent increase (%)	14.7
Total increase in annual office rent (¥m)	11.0

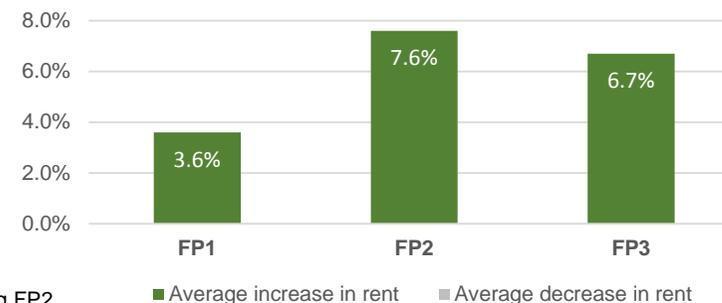
## New Leases / Lease renewals

Number of leases expiring	21
Number of leases renewed	20
Number of leases cancelled	1
Tenant retention rate (%) <sup>2</sup>	95.2

## Office portfolio tenant movement in / out (Tsubo)



## Average % change - replacement tenant vs previous passing rent



Hiei Kudan Building

Seishin Building

Takadanobaba Access

<sup>1</sup> 11 tenants with renewals due in FP3 and FP4 were previously approached for rent reviews during FP2  
<sup>2</sup> Tenant retention rate is the # of office leases that renewed in the period / # leases expiring in the period

## Overview

- NAV per unit increased 1.6% due to an uplift in appraisal values
- Increase in unit price of 4.3% since 13 October 2017
- Annualized DPU yield of 5.7%
- P/NAV increased 3.2% to 0.98

## Balance Sheet

	LTV (%)	Ave. loan maturity (years)	Total Liabilities (¥ bn)
@ FP2 31 August 2017	45.9	2.94	32.9
@ FP3 28 February 2018	45.9	2.45	32.7
<b>Variance</b>	0.0 ↔	0.49 ↓	0.6% ↓

	Net Equity (¥ bn)	NAV (¥ per unit)	Total Assets (¥ bn)
@ FP2 31 August 2017	29.25	94,910	63.13
@ FP3 28 February 2018	29.25	96,470	63.19
<b>Variance</b>	0.0% ↔	1.6% ↑	0.1% ↑



NK Building



Abode Yoyogi Parkside



Azabu Amerex Building

## Investment Units

	Unit Price (¥ per unit)	Annualized DPU yield (%)	P/NAV
@ FP2 13 October 2017	90,500	6.7 <sup>1</sup>	0.95
@ FP3 10 April 2018	94,400	5.7 <sup>2</sup>	0.98
<b>Variance</b>	4.3% ↑	1.0 ↓	3.2% ↑

<sup>1</sup> Annualized DPU yield based on unit price of ¥90,500 as at 13 October 2017 and the aggregate of FP3 and FP4 DPU Forecasts as at 16 October 2017

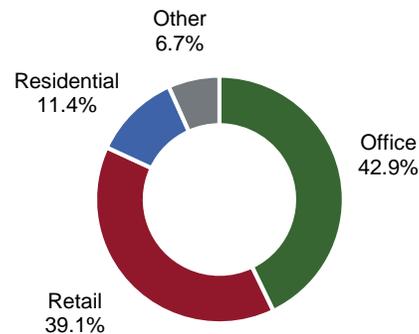
<sup>2</sup> Annualized DPU yield based on aggregate of current FP4 and FP5 DPU Forecasts and closing price on 12 April 2018 of ¥94,500

## At 28 February 2018

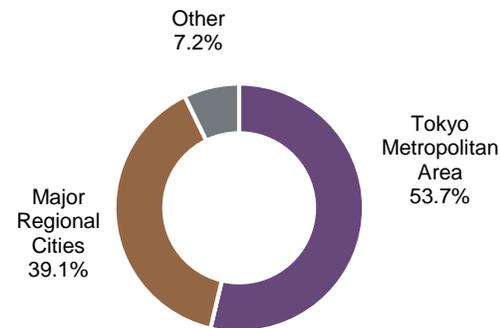
No. of properties	18	Total appraised value ¥m	60,543	Average NOI yield % <sup>1</sup>	5.2
Average occupancy %	98.4	Total book value ¥m	57,673	Average NOI yield post depreciation % <sup>1</sup>	4.3

## Portfolio Diversification

### Investment Ratio by Asset Type



### Investment Ratio by Location



## Lease type (by income)

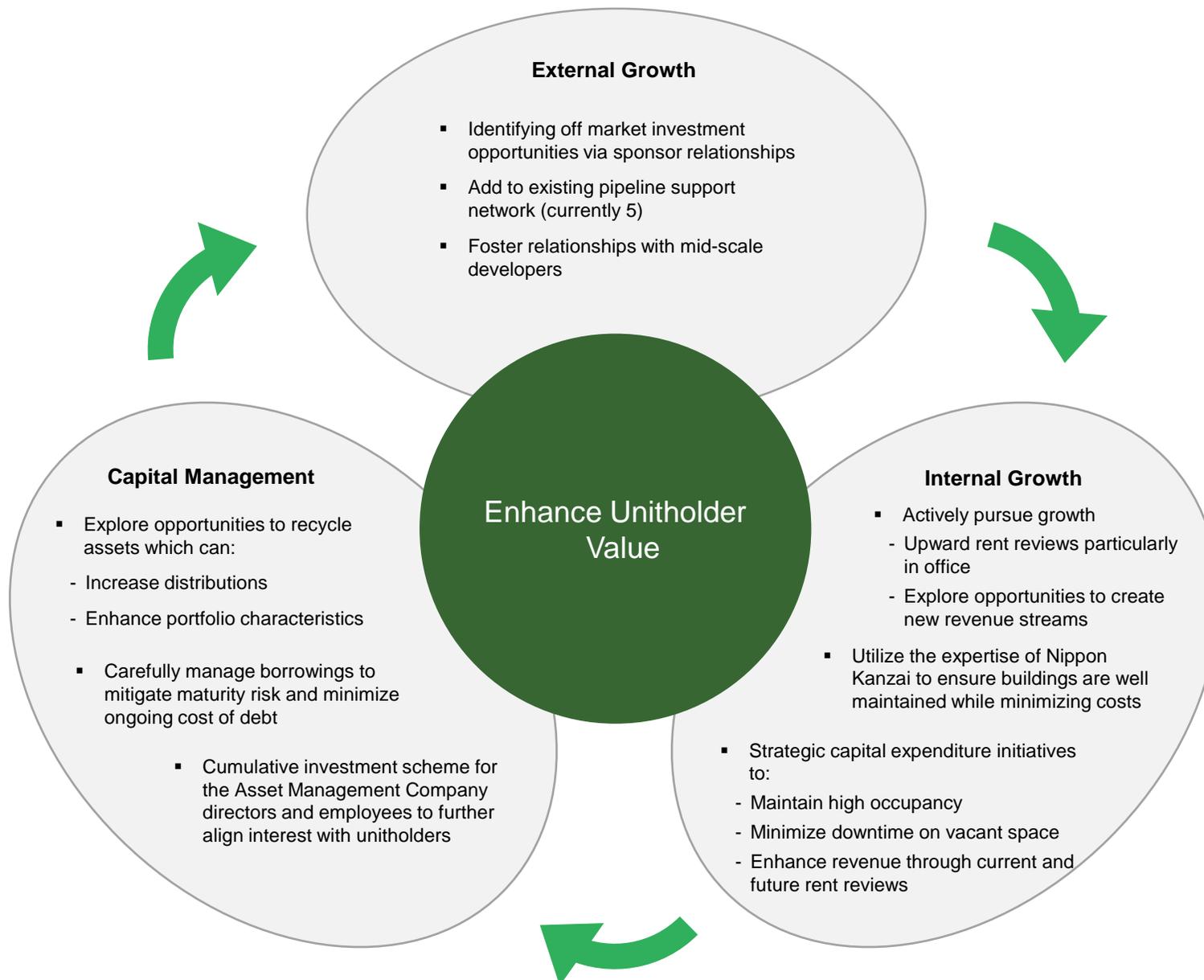
Standard Japanese leases %	55.5
Non-cancellable leases % <sup>2</sup>	44.5
WALE <sup>3</sup> of non-cancellable leases (years)	7.4

<sup>1</sup> Calculated based on 28 February 2018 independent appraisals.

<sup>2</sup> Includes leases that be cancelled by paying cancellation penalties

<sup>3</sup> Weighted average lease term to expiry

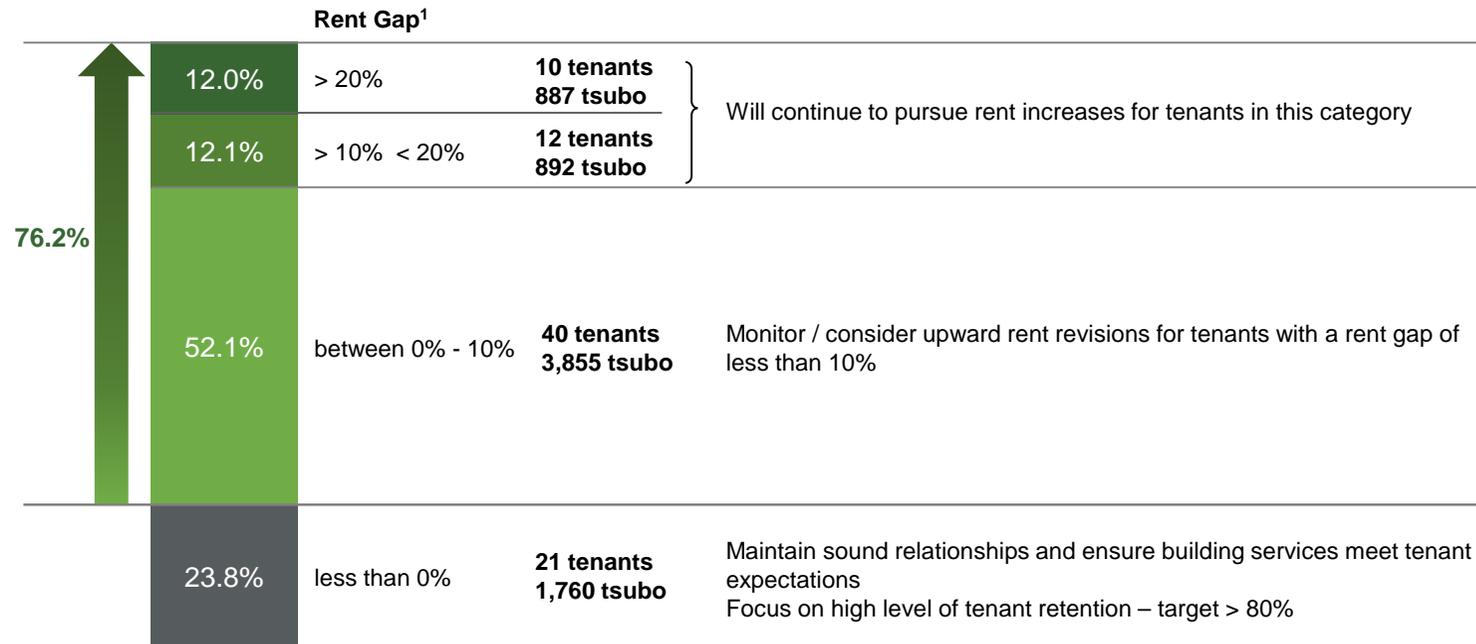
## Section 6 - Management Key Priorities



## Part A - Internal Growth Initiatives

## Office

- Successful track record of achieving rent increases in office assets
- Uplift of 14.7% for a rent review, ¥11 mil p.a.
- Based on independent appraisals, over 75% of office floor space is at or below assessed market rent



1st Fiscal Period		
7	11.6	8.2
Number of increases	Average increase (%)	Amount p.a. (¥ mil)

2nd Fiscal Period		
6	14.4	9.2
Number of increases	Average increase (%)	Amount p.a. (¥ mil)

3rd Fiscal Period		
1	14.7	11.0
Number of Increases	Average increase (%)	Amount p.a. (¥ mil)

<sup>1</sup> Average passing rent vs. assessed market rent based on net rentable area from independent appraisals dated 28 February 2018

## Retail

### La Park Kishiwada 2F Replacement of common area flooring

- Has created a better environment for shoppers and resulted in attracting a new tenant at a higher rent rate (10%) with shorter down time than forecast resulting in an increase in rent revenue by ¥650k for the period.



 NIPPON KANZAI Co., Ltd.

### La Park Kishiwada Utilities cost reduction

- Re-tender of electricity supply resulting in a target reduction of ¥7.0m p.a. (21.0%)
- Renegotiated terms with gas supplier resulting in a target reduction of ¥940k p.a. (22.1%)

## Residential

### Abode Yoyogi Parkside Post acquisition activity

The property was acquired in a fully vacant state just after completion in September 2017. Through proactive leasing efforts with property manager 100% occupancy was achieved in less than 6-months.

Item	Appraisal/Target	Achieved	Var.
Monthly Rent (¥)	6,827,000	7,146,000	+4.7%
Rent Rate (¥/Tsubo)	17,543	18,368	+4.7%
Target 100% Occupancy (months)	Apr 2018	Feb 2018	2



## Other

### Confomall Sapporo Carpark income enhancement

- Through an open tender process plan to replace carpark operators
- This will result in an increase in NOI by approximately Y1.8m p.a.



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## Internal Growth Initiatives

- Nippon Kanzai Group has been involved in identifying and implementing various initiatives across the portfolio to assist in achieving internal growth.



### Portfolio

### Building maintenance fees review

A review was undertaken which included re-tendering service agreements for 10 properties. Annual savings in building maintenance fees by ¥3.6m was achieved, effective from September 2018



Shin Yokohama Nara



Takadanobaba Access



Azabu Amerex



Suroy Mall Chikushino



La Park Kishiwada



Suroy Mall Nagamine



### Portfolio

### Capital expenditure savings

Nippon Kanzai Group facilitated savings in maintenance capital expenditure of over ¥6 million during the period



Property

Seishin

La Park  
Kishiwada

Tsukasamachi

Description of  
Works

Fire  
suppression,  
exterior wall,  
HVAC  
renewal

HVAC  
renewal, fire  
suppression,  
electrical

Fire  
suppression,  
downlight  
replacement

Ave 3rd party  
tender cost (¥m)

11.35

10.44

6.94

Actual cost NK  
Group (¥m)

10.7

9.14

6.56

Total Savings (¥m)

0.65

1.30

0.38

Savings %

5.7

12.5

5.5

## NOI Enhancement

Through various proactive initiatives, expected to enhance NOI by in total over ¥25m from FP1 through FP4 (forecast).

	Properties	Action	Revenue increase	Cost reduction
FP4 (forecast)	Confomall Sapporo La Park Kishiwada 10-properties	Plans to replace car park operator via open tender Convert storage space for tenant into smoking, lounge area Re-tendering building maintenance service agreements	¥1.8m p.a. ¥1.0m p.a.	¥3.6m p.a.
FP3	NK Building Office portfolio La Park Kishiwada La Park Kishiwada	Renegotiated terms with rooftop antenna telecommunications provider Re-tendered electricity service provider Re-tendered electricity service provider Renegotiated terms with gas supplier	¥1.0m p.a.	¥3.0m p.a. ¥7.0m p.a. ¥0.9m p.a.
FP2	Azabu Amerex La Park Kishiwada Shin Yokohama Nara Takadanobaba Access Confomall Sapporo	Negotiated new lease terms for carpark spaces Added telecommunications mobile antenna Converted unutilized space to rental storage Attached timer to HVAC facilities for managing after hours electricity usage Installed LED lighting	¥2.2m p.a. ¥0.9m p.a. ¥0.1m p.a.	¥1.0m p.a. ¥0.5m p.a.
FP1	La Park Kishiwada 2-office properties Shin Yokohama Nara	Tenant repositioning and new leases Introduced lunchtime food service vendors Installed LED lighting in the lobby	¥0.6m p.a. ¥2.3m p.a.	¥0.3m p.a.

## Part B - External Growth Initiatives

## Pipeline Support Agreements

- Enhance investment opportunities through direct channels
- Pipeline Support Agreements will provide preferred negotiation rights for SKR
- Five existing Pipeline Support Agreements have been executed:
  - Three entered into by the Nippon Kanzai Group
  - Two directly by the Asset Management Company



- Asset Management Company has a Right of First Refusal for a 2-year old modern logistics asset
  - Asset is single tenanted to a TSE listed company
  - Over 60,000m2 NLA



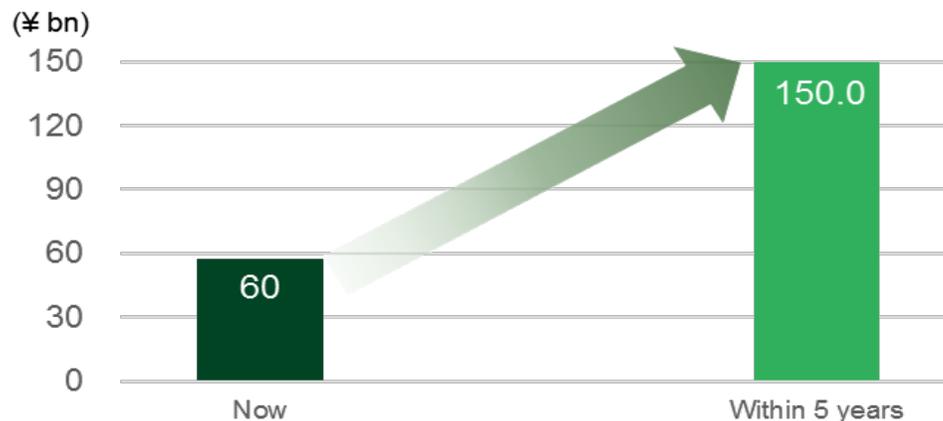
## Existing / New Relationships

- Leverage off an existing broad range of real estate industry contacts
  - Fund Managers
  - Developers
  - Financiers
- Explore opportunities to source from existing relationships and continue to expand network to identify off market acquisition opportunities

Example : Abode Yoyogi Parkside



## Medium-term Goal for Assets Under Management



## Galileo Sponsor – Future Developments

- Galileo Group is a very successful developer in Australia and is investigating development opportunities in Japan with an immediate focus on the Tokyo Metropolitan Area
- Potential future developments would provide attractive acquisition opportunities for SKR
- Refer to slide 6 for more details of Galileo developments

## Part C - Capital Management

## Borrowings

Lender		Loan amount (¥ mil)	Interest rate	Maturity date
		31-Aug-17		
Short-term	A Syndicate of lenders with Sumitomo Mitsui Banking Corporation:	1,400	Base Rate +0.2% (floating)	30-Aug-18
		6,000	0.62473% (fixed)	30-Aug-18
Long-term	Sumitomo Mitsui Banking Corporation, Shinsei Bank, Limited, Resona Bank, Limited, Aozora Bank, Ltd., ORIX Bank Corporation, The Nishi-Nippon City Bank, Ltd., The Bank of Fukuoka, Ltd, Sumitomo Mitsui Trust Bank, Limited	4,000	0.71096% (fixed)	30-Aug-19
		6,000	0.81842% (fixed)	31-Aug-20
		6,000	0.93842% (fixed)	31-Aug-21
		5,600	Base Rate +0.8% (floating)	31-Aug-22
		<b>Total</b>	<b>29,000</b>	

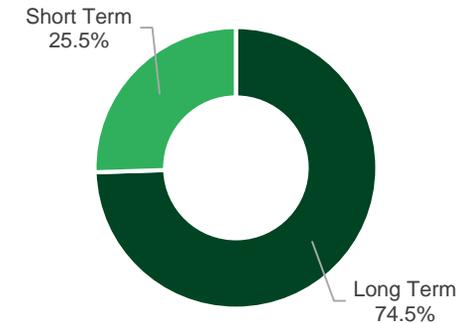
Collateral: Unsecured and unguaranteed

## Loan cost and duration (at 28 February 2018)

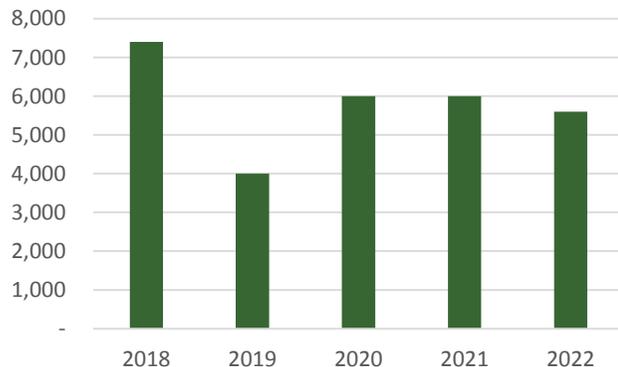
Weighted average cost (%) **0.96**

Average duration (Years) **2.45**

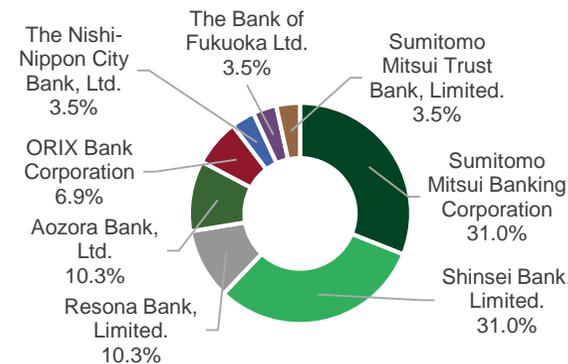
## Debt Ratio - Term



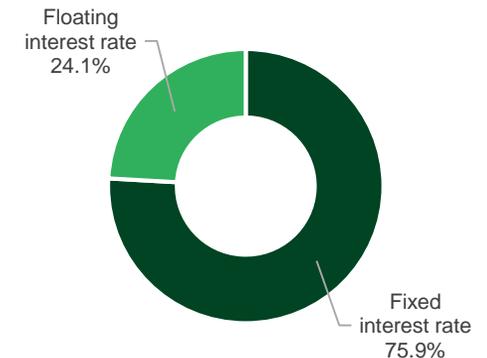
## Repayment Schedule



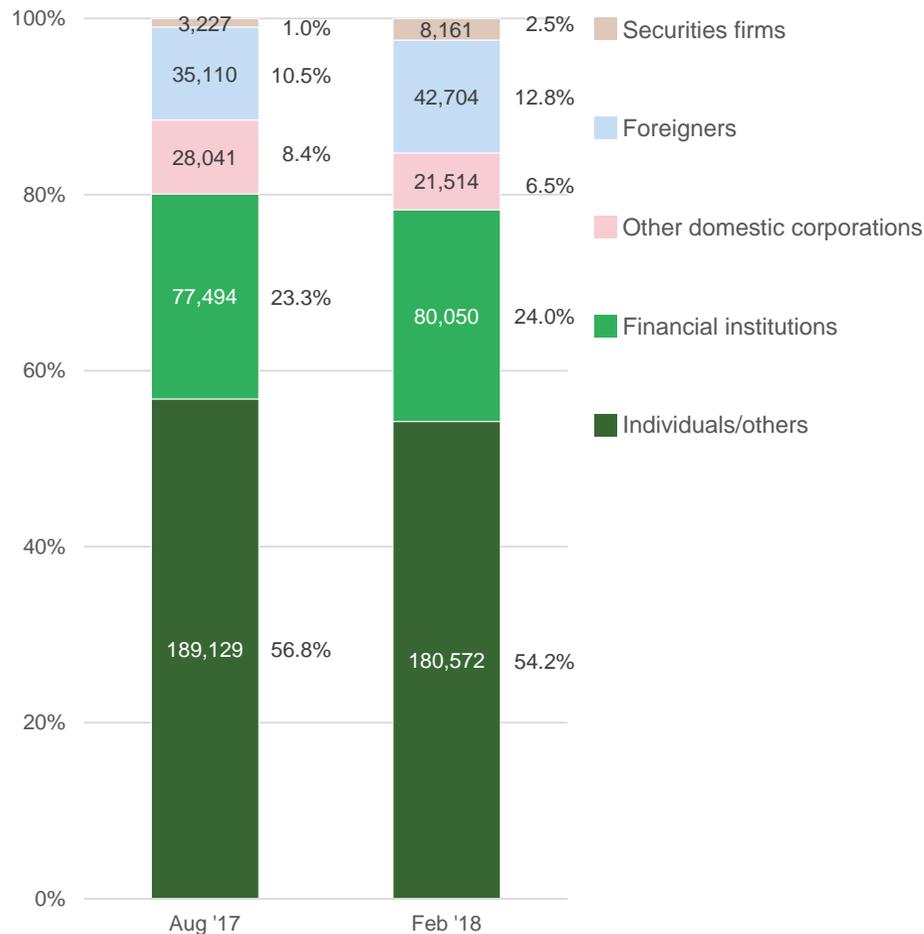
## Balance of Borrowings by Lender



## Interest Rate Ratio



## No. of Investment Units by Investor Type



## Main Unitholders

at 28 February 2018

Rank	Name	Number of Units Owned	Percentage Share (%) <sup>1</sup>
1	The Master Trust Bank of Japan, Ltd.	28,133	8.45
2	Japan Trustee Service Bank, Ltd.	23,104	6.94
3	JP Morgan Bank (Ireland) Plc 380423	15,414	4.63
4	The Nomura Trust and Banking Co., Ltd. (Investment account)	12,672	3.81
5	Galaxy JREIT Pty. Ltd.	8,700	2.61
5	Nippon Kanzai Co., Ltd.	8,700	2.61
7	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	7,161	2.15
8	Credit Suisse Securities (Europe) Ltd. PB Omnibus Client Account	6,802	2.04
9	Kinki Sangyo Credit Union	5,587	1.68
10	Individual investor	2,761	0.83

<sup>1</sup> Percentage share is the number of units owned expressed as a percentage of total investment units issued (rounded down to second decimal place).

# Appendix

## Balance Sheet at 28 February 2018

	Unit: ¥ mil
<b>Assets</b>	
<b>Current assets</b>	<b>5,173</b>
Cash and deposits	974
Cash and deposits in trust	4,056
Other	143
<b>Non-current assets</b>	<b>58,024</b>
Property, plant equipment	57,002
Intangible fixed assets	691
Investments and other assets	331
<b>Total assets</b>	<b>63,197</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	<b>8,087</b>
Operating accounts payable	129
Short-term loans payable	1,400
Repayment long term loan within one year	6,000
Accounts payable – other	163
Advances received	383
Other	12
<b>Non-current liabilities</b>	<b>24,703</b>
Long-term loans payable	21,600
Tenant leasehold and security deposits in trust	3,103
<b>Total liabilities</b>	<b>32,790</b>
<b>Net Assets</b>	
<b>Total unitholders' equity</b>	<b>30,407</b>
Unitholders' capital	29,255
Surplus	1,152
<b>Total net assets</b>	<b>30,407</b>
<b>Total liabilities and equity</b>	<b>63,197</b>

## Statement of Income

	Unit: ¥ mil
<b>Operating revenue</b>	<b>2,662</b>
Leasing business revenue	2,060
Other leasing business revenue	341
Capital gain from real estate disposition	261
<b>Operating expenses</b>	<b>1,358</b>
Expenses related to rent business	1,092
Asset management fee	172
Asset custody fee/Administrative service fees	25
Directors' compensation	6
Other operating expenses	63
<b>Operating profit</b>	<b>1,304</b>
<b>Non-operating expenses</b>	<b>151</b>
Interest expenses	110
Borrowing related expenses	41
<b>Ordinary profit (loss)</b>	<b>1,153</b>
<b>Net profit (loss) before income taxes</b>	<b>1,153</b>
<b>Net profit (loss)</b>	<b>1,152</b>
<b>Unappropriated retained earnings</b>	<b>1,152</b>

# Income and Expenditure by Property for FP3 (181 operating days)

Sakura Sogo REIT Investment Corporation

Unit: ¥ '000

	OF-01	OF-02	OF-03	OF-04	OF-05	OF-06	OF-07	RT-01	RT-02
	Seishin Building	NK Building	Tsukasamachi Building	Takadanobaba Access	Azabu Amerex Building	Hiei Kudan Building	Shin Yokohama Nara Building	La Park Kishiwada	Suroy Mall Chikushino
Operating revenue from real estate leasing	235,988	122,799	108,702	104,508	66,694	66,891	81,246	513,560	296,520
Leasing business revenue	212,957	108,946	96,486	83,879	61,369	64,464	66,216	386,748	292,624
Other Leasing business revenue	23,031	13,853	12,215	20,629	5,325	2,427	15,030	126,812	3,896
Operating expenses from real estate leasing	57,050	35,485	26,948	34,700	21,532	18,806	27,417	288,944	75,639
Management fees	18,040	12,805	10,738	15,882	8,318	10,998	9,804	129,656	37,659
Utilities expenses	13,837	9,983	5,929	8,013	3,670	42	7,305	108,284	4,116
Insurance premium	239	157	145	177	90	133	165	1,251	678
Repair & Maintenance	3,439	1,594	2,062	656	1,666	218	1,519	706	2,020
Trust Fees	750	750	750	750	375	750	750	1,850	750
Property Tax	20,279	10,003	7,043	8,722	7,324	6,470	7,614	45,088	19,885
Other expenses	464	192	279	496	86	193	258	2,107	10,528 <sup>1</sup>
Leasing NOI	178,937	87,314	81,754	69,807	45,161	48,084	53,828	224,616	220,880
Depreciation	12,334	6,750	7,014	8,897	2,349	2,699	8,489	41,236	36,413
Operating income (loss) from real estate leasing	166,603	80,563	74,739	60,910	42,812	45,385	45,339	183,380	184,467

# Income and Expenditure by Property for FP3 (181 operating days)

Sakura Sogo REIT Investment Corporation

Unit: ¥ '000

	RT-03	RT-04	RS-01	RS-02	RS-04	RS-05	OT-01	OT-02	OT-03
	Seiyu Minakuchi	Suoy Mall Nagamine	Shiroi Logiman	Matsuya Residence Sekime	Urban Plaza Imazato	Abode Yoyogi Parkside	Funabashi Hi-Tech Park I	Funabashi Hi-Tech Park II	Confomall Sapporo
Operating revenue from real estate leasing	Non-disclosure	179,138	143,841	86,026	39,359	30,983	Non-disclosure	Non-disclosure	70,587
Leasing business revenue	Non-disclosure	146,485	127,860	78,256	37,573	19,846	Non-disclosure	Non-disclosure	58,815
Other Leasing business revenue	Non-disclosure	32,652	15,981	7,769	1,785	11,136	Non-disclosure	Non-disclosure	11,772
Operating expenses from leasing business	36,295	57,408	50,434	31,993	12,234	14,689	6,565	5,211	31,610
Management fees	6,039	15,416	21,157	13,583	5,603	13,859	990	990	7,323
Utilities expenses	0	25,388	1	2,903	520	177	0	0	11,319
Insurance premium	531	264	637	254	121	34	122	76	280
Repair & Maintenance	0 <sup>1</sup>	1,422	11,660	9,405	2,130	80	0	0	1,890
Trust Fees	750	750	1,250	375	375	424	750	750	750
Property Tax	12,181	13,251	14,046	5,181	3,201	0 <sup>3</sup>	4,686	3,363	9,178
Other expenses	16,792 <sup>2</sup>	914	1,682	290	281	112	16	30	867
Leasing NOI	Non-disclosure	121,730	93,406	54,033	27,125	16,293	Non-disclosure	Non-disclosure	38,977
Depreciation	42,485	17,868	18,770	11,079	5,826	4,727	9,550	2,955	13,947
Operating income (loss) from real estate leasing	Non-disclosure	103,861	74,636	42,953	21,299	11,566	Non-disclosure	Non-disclosure	25,030

<sup>1</sup> Capex expenditure only

<sup>2</sup> Including ground lease rent

<sup>3</sup> Included purchase cost

at 28 February 2018

Asset Type	Office							Retail		
	OF-01	OF-02	OF-03	OF-04	OF-05	OF-06	OF-07	RT-01	RT-02	RT-03
No.										
Property Name	Seishin Building	NK Building	Tsukasamachi Building	Takadanobaba Access	Azabu Amerex Building	Hiei Kudan Building	Shin Yokohama Nara Building	La Park Kishiwada	Suroy Mall Chikushino	Seiyu Minakuchi
Address	Shinjuku-ward, Tokyo	Chiyoda-ward, Tokyo	Chiyoda-ward, Tokyo	Shinjuku-ward, Tokyo	Minato-ward, Tokyo	Chiyoda-ward, Tokyo	Kohoku-ward, Yokohama	Kishiwada city, Osaka	Chikushino, Kyushu	Minakuchi, Shiga
Appraisal @ FP2 (¥bn)	8,610	3,910	3,960	3,460	2,270	2,050	1,980	6,640	7,820	4,240
Appraisal @ FP3 (¥bn)	8,850	3,980	4,040	3,510	2,270	2,090	2,020	6,640	7,790	4,220
NOI Yield @ FP2 (%)	4.0%	4.5%	4.5%	4.7%	4.2%	4.7%	5.5%	5.9%	5.6%	6.0%
NOI Yield @ FP3 (%)	3.9%	4.4%	4.5%	4.6%	4.2%	4.6%	5.3%	6.0%	5.6%	6.0%
NOI Yield @ FP2 post depr (%)	3.8%	4.2%	4.2%	4.2%	4.1%	4.5%	4.7%	4.7%	4.7%	4.0%
NOI Yield @ FP3 post depr (%)	3.6%	4.1%	4.1%	4.1%	4.0%	4.4%	4.5%	4.7%	4.7%	4.0%

at 28 February 2018

Asset Type	Retail	Residential				Other			Total (18 properties)	
No.	RT-04	RS-01	RS-02	RS-04	RS-05	OT-01	OT-02	OT-03		
										
Property Name	Suroy Mall Nagamine	Shiroi Logiman	Matsuya Residence Sekime	Urban Plaza Imazato	Abode Yoyogi Parkside	Funabashi Hi-Tech Park I	Funabashi Hi-Tech Park II	Confomall Sapporo		
Address	Kumamoto city, Kumamoto	Shiroi city, Chiba	Osaka city, Osaka	Osaka city, Osaka	Shibuya-ward, Tokyo	Funabashi city, Chiba	Funabashi city, Chiba	Sapporo city, Hokkaido		
Appraisal @ FP2 (¥bn)	4,470	2,170	1,930	965	1,610 <sup>1</sup>	1,800	780	1,440		60,105
Appraisal @ FP3 (¥bn)	4,470	2,160	1,930	945	1,610	1,800	778	1,440		60,543
NOI Yield @ FP2 (%)	5.6%	7.2%	6.4%	5.9%	4.3% <sup>1</sup>	6.1%	6.2%	5.6%	5.2%	
NOI Yield @ FP3 (%)	5.6%	6.9%	6.4%	5.9%	4.2%	6.1%	6.2%	5.6%	5.2%	
NOI Yield @ FP2 post depr (%)	4.8%	5.5%	5.3%	4.7%	3.8% <sup>1</sup>	5.1%	5.4%	3.8%	4.4%	
NOI Yield @ FP3 post depr (%)	4.8%	5.2%	5.2%	4.7%	3.6%	5.1%	5.5%	3.7%	4.3%	

<sup>1</sup> Based on an Appraisal for Non-Completed Buildings with effective date 1 July 2017



OF-01 Seishin Bldg



OF-02 NK Bldg



OF-03 Tsukasamachi Bldg



OF-04 Takadanobaba Access



OF-05 Azabu Amerex Bldg



OF-06 Hiei-Kudan Bldg



OF-07 Shin-Yokohama Nara Bldg



RT-01 La Park Kishiwada



RT-02 Suroy Mall Chikushino



RT-03 Seiyu Minakuchi



RT-04 Suroy Mall Nagamine



RS-01 Shiroy Logiman



RS-02 Matsuya Residence Sekime



RS-04 Urban Plaza Imazato



RS-05 Abode Yoyogi Parkside



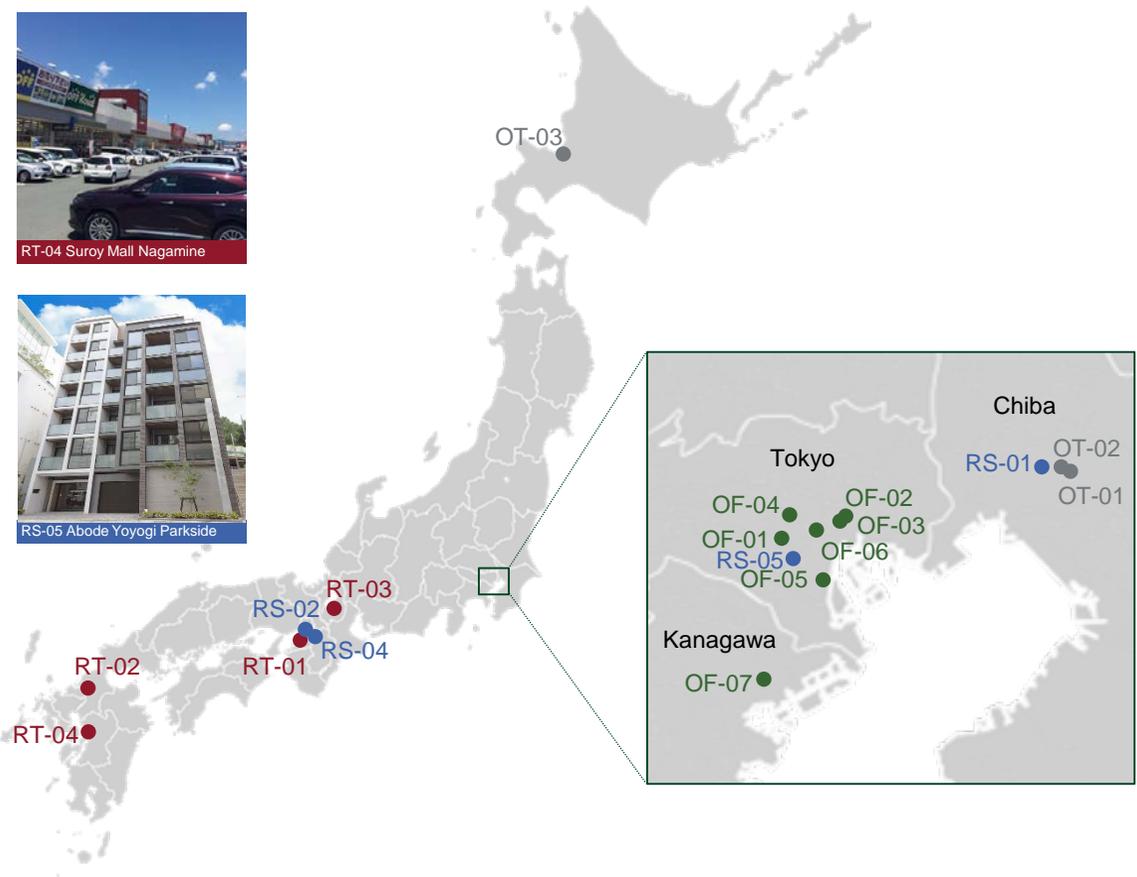
OT-01 Funabashi Hi-Tech Park I



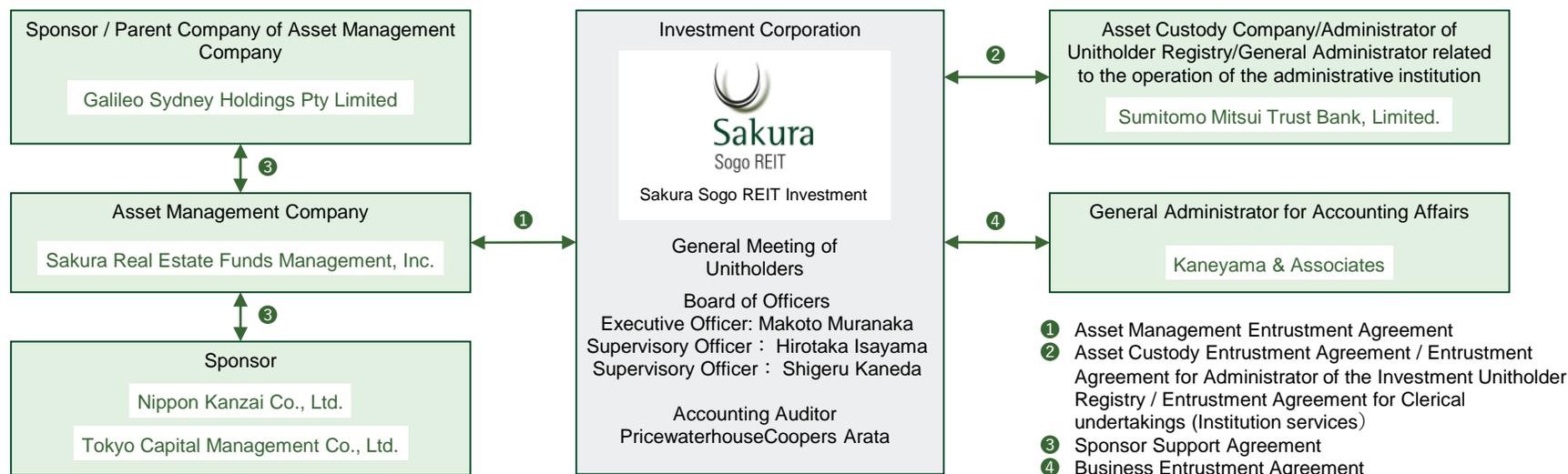
OT-02 Funabashi Hi-Tech Park II



OT-03 Confomall Sapporo

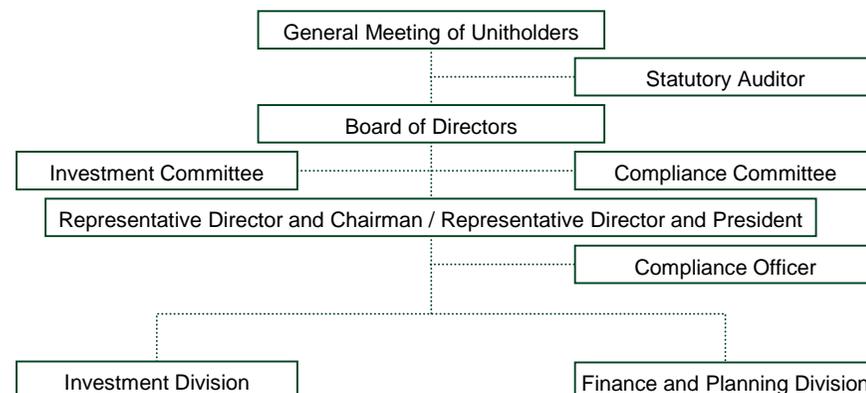


## Schematic Diagram of the Investment Corporation's Structure



## Overview of Asset Management Company

Trade Name	Sakura Real Estate Funds Management, Inc.
Date of Incorporation	July 7, 2015
Stated Capital	101.52 million yen
Shareholder Composition	Galaxy JREIT Pty Limited 50% Tokyo Capital Management Co., Ltd. 50% (based on voting rights: Galaxy JREIT Pty Limited 100%)
Principal Lines of Business	Discretionary Investment Business, management of Investment Corporation's assets
Officers	6 Directors (2 Full-time Directors), 1 Statutory Auditor
Financial Instrument Business Registration	Reg. No.: Director of Kanto Local Finance Bureau (FI) No. 2907 Member of Investment Trusts Association, Japan
Real estate agency business license	License No.: Tokyo Metropolitan Governor (1) No. 98232
Approval as Entrustment - Based Agency Services for Transactions	Approval No.: Minister of Land, Infrastructure, Transport and Tourism No. 100



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