

## Financial Results for the 4<sup>th</sup> Fiscal Period (“FP4”)

Sakura Sogo REIT Investment Corporation (Securities code: 3473)



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## Section 1 – The Sponsors



**NIPPON KANZAI Co., Ltd.**

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.

Total Revenue<sup>1</sup>

¥ **96.5**bn

Revenue from Building Maintenance & Residential Management<sup>1</sup>

¥ **84.0**bn

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

**87.0%**

<sup>1</sup> As at end of March 2018

<sup>2</sup> As at end of July 2018



**galileo**

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.

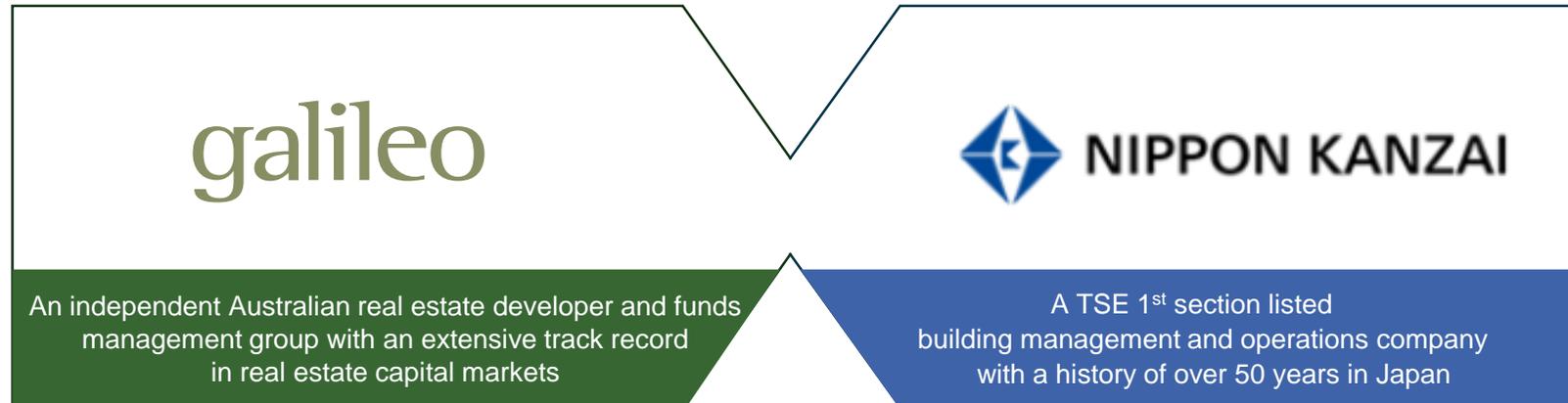
Galileo Group Total Global Acquisitions and Developments<sup>2</sup>

¥ **542.6**bn

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

The philosophy of Sakura Sogo REIT Investment Corporation (hereinafter “SKR”) is to leverage its investment mandate as a diversified REIT<sup>1</sup>, to achieve stable income over the medium- to long-term and maximize unitholder value<sup>2</sup> by building a portfolio, which SKR believes to be optimal while taking into account prevailing real estate market conditions.



## Core Features and Strengths

- ◆ **Cash flow growth and stability through diversification by location, type of asset and tenant**
- ◆ **Growth through internal initiatives and pursuit of acquisition opportunities**
- ◆ **Unique property sourcing capabilities of Galileo Group<sup>3</sup> and Nippon Kanzai Group<sup>4</sup>**
- ◆ **Leverages Nippon Kanzai Group’s know-how in property management**

<sup>1</sup> A "diversified REIT" is a real estate investment corporation which invests in a range of different asset types and locations in order to mitigate risk.

<sup>2</sup> The "maximization of unitholder value" means achieving stable distribution growth, enhancing investment unit values and placing highest priority on the interests of the unitholders (not the Sponsors or other third parties).

<sup>3</sup> Refers to a corporate group consisting primarily of Galileo Sydney Holdings Pty Limited (hereinafter "Galileo") and in addition Galaxy JREIT Pty Limited and Werrett Family Pty Ltd. The same applies hereafter.

<sup>4</sup> Refers to a corporate group comprised of Nippon Kanzai Co., Ltd. (hereinafter "Nippon Kanzai") and in addition 15 consolidated subsidiaries including Tokyo Capital Management Co., Ltd. ("Tokyo Capital Management"), Japan Property Solutions Co., Ltd. ("JPS"), Three-s Inc. and Nippon Kanzai Environment Service Co., Ltd., 26 affiliated companies accounted for by the equity-method and 2 other affiliated companies (as of the end of March 2018). The same applies hereafter.

## 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

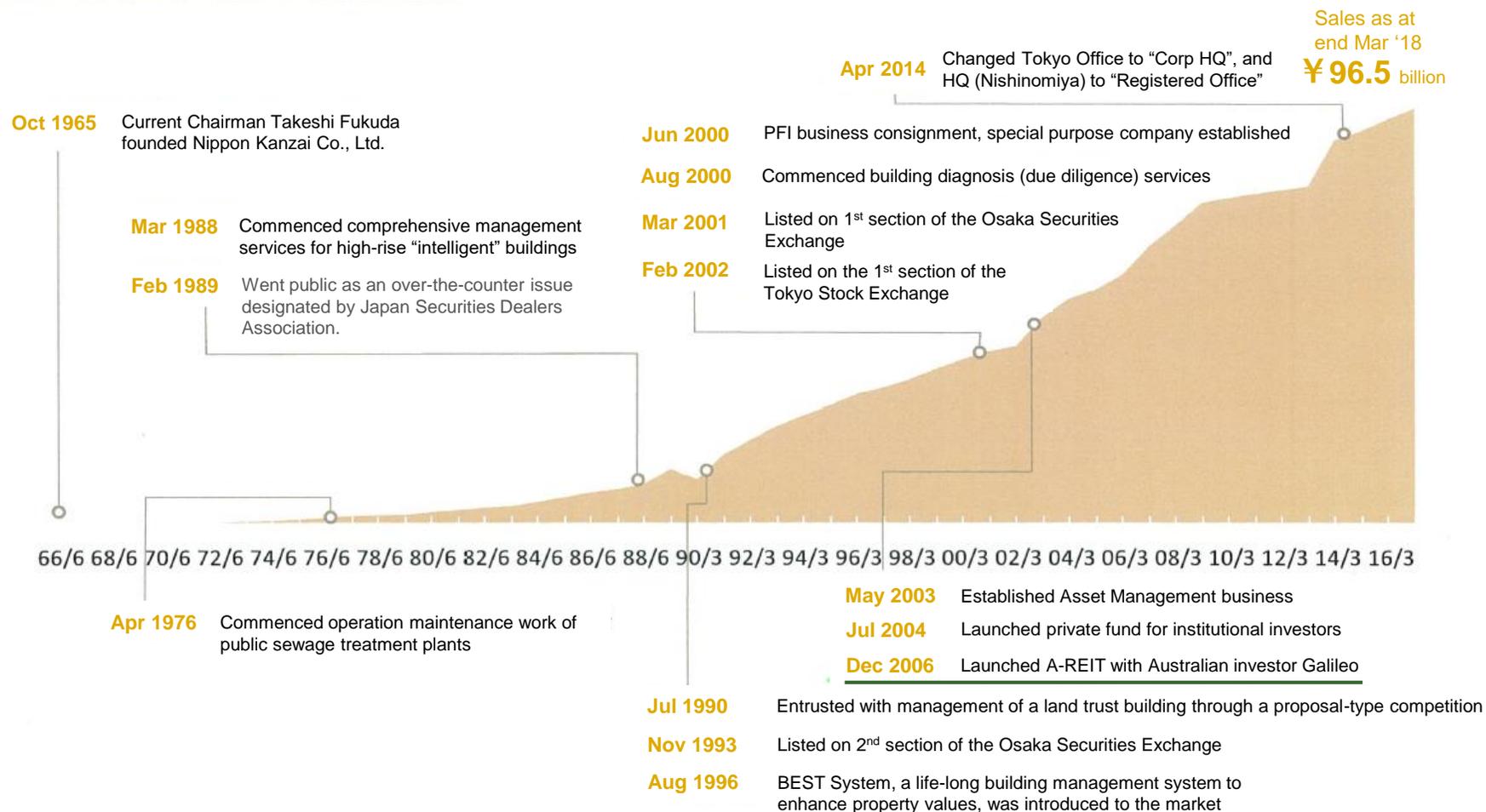
Both sponsors<sup>2</sup> acquired investment units of the Investment Corporation at the time of IPO in order to align their interests with those of the unitholders’. As a result, each owns 2.6% of investment units issued and outstanding (5.2% in total by both sponsors)



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

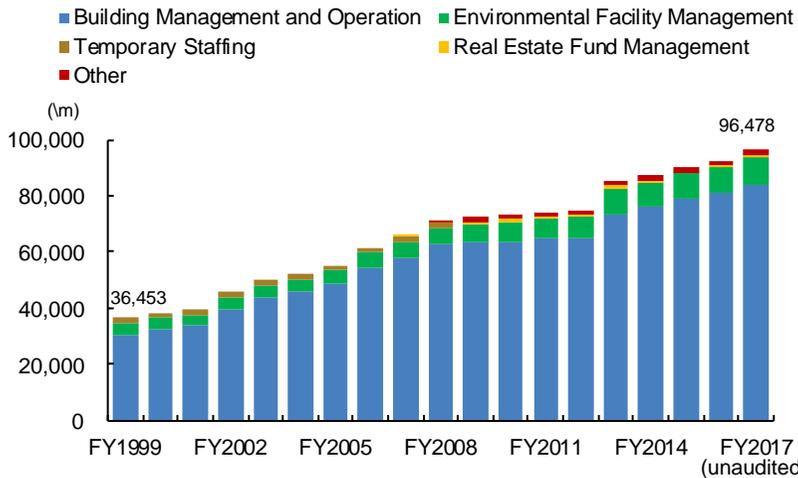
<sup>2</sup> "Sponsors" refers to Nippon Kanzai, Tokyo Capital Management and Galileo which have executed Sponsor Support Agreements

## Nippon Kanzai Co. Ltd. – Main History

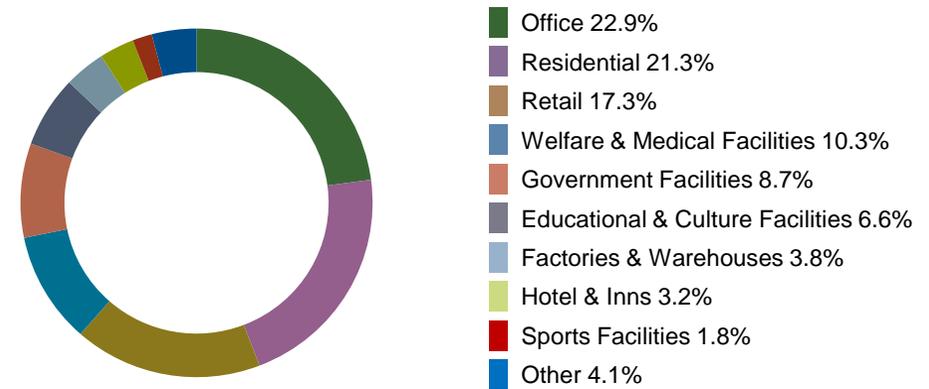


Nippon Kanzai Group, established in 1965, is a corporate group headed by Nippon Kanzai Co., Ltd., a company in Japan involved in the building management and operation business that also offers a full line of real estate management services.

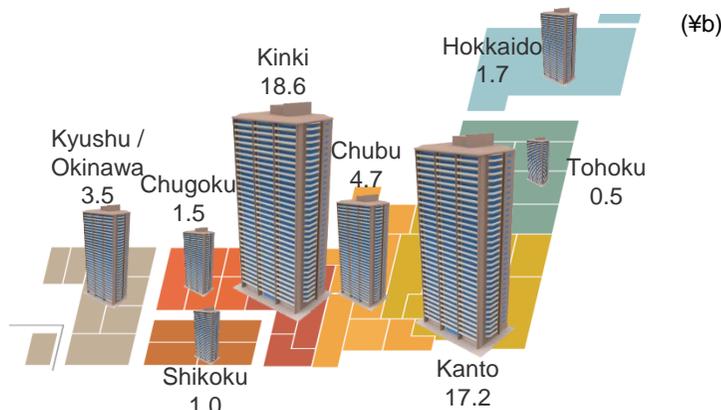
## Historical Trend of Revenue and Revenue Breakdown<sup>1</sup>



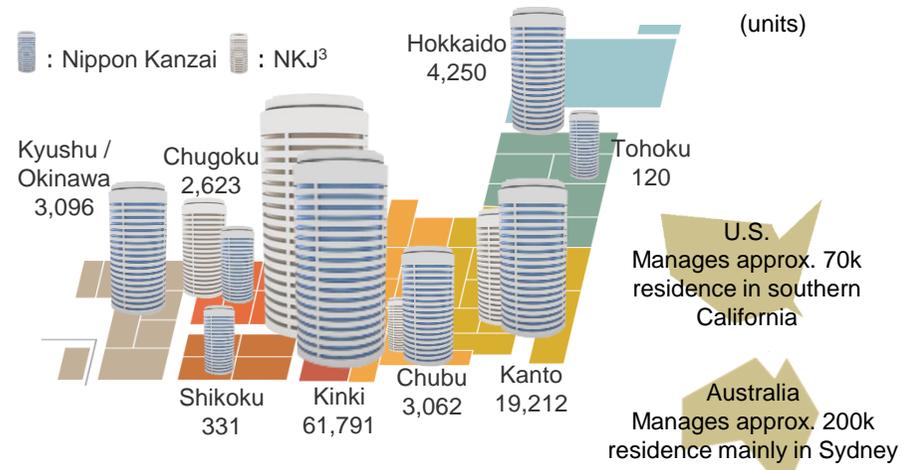
## Composition of Net Revenue for Management and Operation Services<sup>2</sup>



## Geographical Breakdown of Building Management and Operation<sup>1</sup>



## Geographical Breakdown of Residential Management<sup>1</sup>



Source: Nippon Kanzai Group

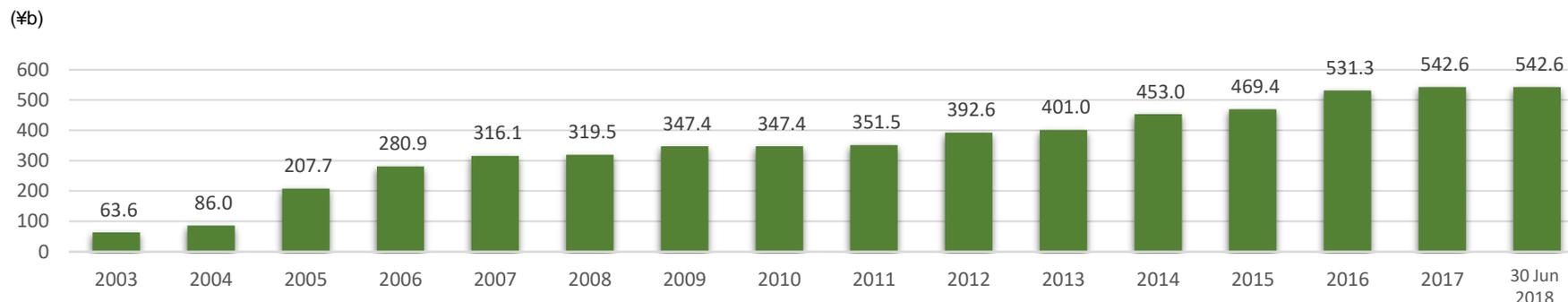
<sup>1</sup> As of the fiscal period ended March 31, 2018

<sup>2</sup> Based on the net revenue of Nippon Kanzai (unconsolidated) as of the fiscal period ended March 31, 2017.

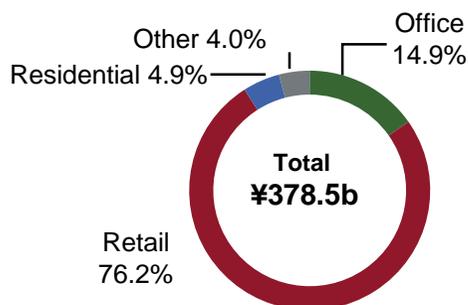
<sup>3</sup> NKJ Holdings, a wholly-owned residential property management subsidiary of Nippon Kanzai Group

As an independent real estate developer and fund management group based in Australia, Galileo group has managed significant real estate in Australia, Japan and the U.S. It has listed **2 A-REITs** on the Australian Stock Exchange and **1 J-REIT** on the Tokyo Stock Exchange. In addition, its management team has been involved in the listing process and management of an additional **6 A-REITs**.

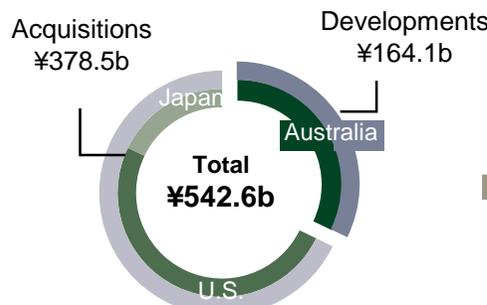
## Cumulative Acquisitions and Developments (including sold properties) in Australia, Japan and the U.S.<sup>1</sup>



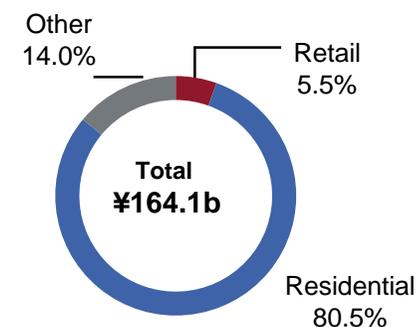
## Acquisitions by Asset Type (U.S. / Japan)<sup>2</sup>



## Total Acquisitions and Developments by Area<sup>2</sup>



## Developments by Asset Type (Australia)<sup>2</sup>



## 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 (“SKR”)

## 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> SKR 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 – FP4 Financial Results

## FP4 – Forecast and Actual

	Unit: ¥ mil			Comment
	FP4 Forecast <sup>1</sup>	FP4 Actual	Variance	
Operating revenue	1,628	1,768	140	<ul style="list-style-type: none"> <li>Operating revenue increased by ¥140m primarily due to gain on sale of Confomall Sapporo of ¥142m</li> <li>Operating expenses increased by ¥12m:                             <ul style="list-style-type: none"> <li>¥20m decrease includes savings from retendering electricity supplier contracts and lower than forecasted makegood costs due to fewer than forecasted resi cancellations</li> <li>¥5m increase in non-deductible consumption tax associated with disposition of Confomall Sapporo</li> </ul> </li> <li>Non-operating expenses increased by ¥136m:                             <ul style="list-style-type: none"> <li>Professional service fees for investment transaction that was not completed</li> </ul> </li> </ul>
Operating expenses	926	914	(12)	
Operating profit	702	854	152	
Non-operating expenses	102	239	137	
Ordinary profit	600	615	15	
Net profit	600	615	15	
Distribution per unit (DPU) (¥)	1,801	1,848	47	

## FP4 vs. FP3 Actuals<sup>2</sup>

	Unit: ¥ mil			Comment
	FP3 Actual	FP4 Actual	Variance	
Operating revenue	2,400	2,426	26	<ul style="list-style-type: none"> <li>Rents for office increased. Rent revenue for Yoyogi increased due to full period contribution. Utilities revenue decreased by due to seasonal usage fluctuations.</li> <li>The difference of ¥16 million yen in operating expenses include expenses not relating to leasing that have been adjusted by a multiple of 6/4 even though these amounts would not fluctuate due to the number of days in the FP</li> </ul>
Operating expenses	1,357	1,341	(16)	
Operating profit	1,043	1,084	41	
Non-operating expenses	151	153	2	
Ordinary profit	892	931	39	
Net profit	891	930	39	

<sup>1</sup> Due to the resolution of the second general meeting of investors held on May 31, 2018, the fiscal year end has changed from the end of February and August to the end of June and December. Furthermore, the fiscal year ending June 2018 has a four-month settlement period from 1 March 2018 to 30 June 2018. FP4 financial forecast for the 4 month period was announced on 10 May 2018.

<sup>2</sup> FP3 and FP4 Actuals have been adjusted to exclude gains on sale of assets in both FP3 and FP4. FP4 Actuals adjusted for “one off” investment transaction costs and multiplied by 6/4 in order to provide a “like for like” comparison with FP3 Actual.

## FP5 – Forecast vs. Adjusted Forecast

	Unit: ¥ mil			Comment
	FP5 Forecast <sup>1</sup>	FP5 Revised Forecast	Variance	
Operating revenue	2,429	2,361	(68)	<ul style="list-style-type: none"> <li>Due to the sale of Confomall Sapporo, rental revenue and expenses both decreased.</li> <li>Repayment of debt ¥1.4b, reduction in AM fees due to the sale</li> <li>FP5 Revised Forecast reflects:                             <ul style="list-style-type: none"> <li>Decreased rent revenue and expenses</li> <li>Higher interest expense from extending ¥6b loan term to 4.5 years from 2 years</li> <li>Reduction in AM fees as a result of the sale</li> </ul> </li> </ul>
Operating expenses	1,368	1,333	(35)	
Operating profit	1,061	1,028	(33)	
Non-operating expenses	161	161	0	
Ordinary profit	900	867	(33)	
Net profit	900	866	(33)	
Distribution per unit (DPU) (¥)	2,700	2,600	(100)	

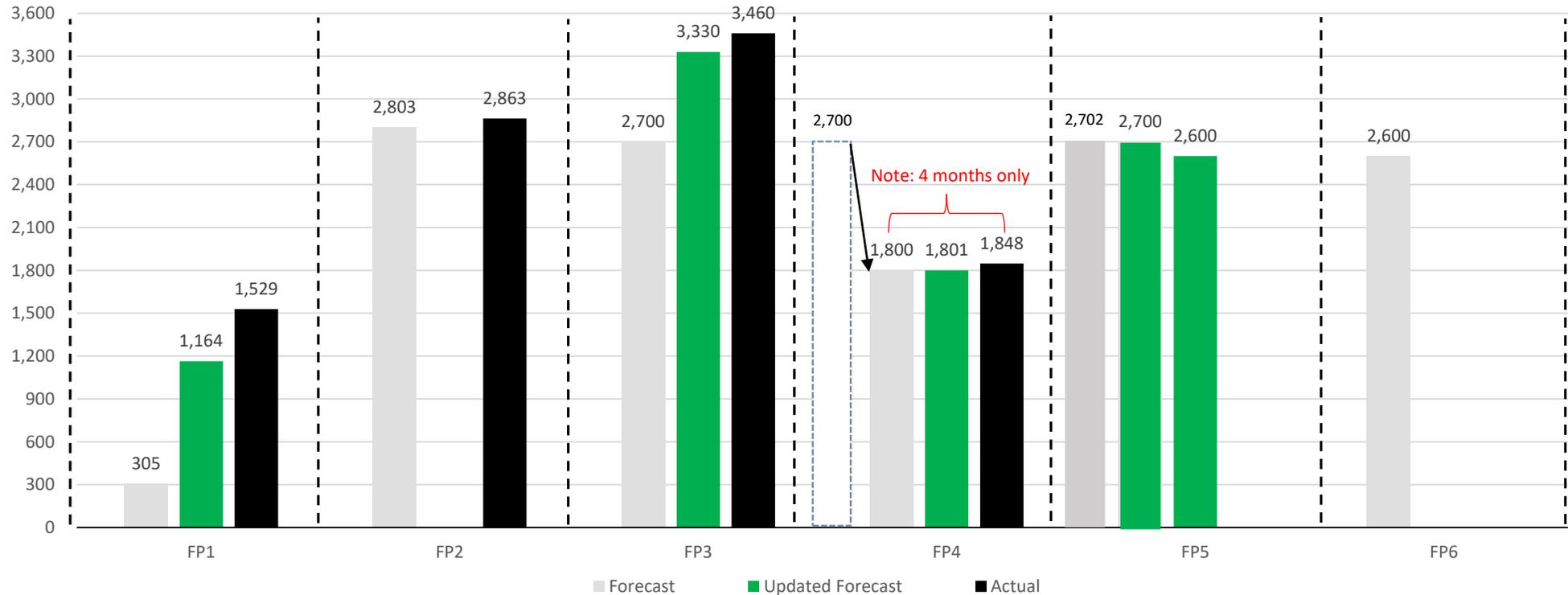
## Forecast for FP5 and FP6 (fiscal periods ending 31 December 2018 and 30 June 2019)

	Unit: ¥ mil		Unit: ¥ mil	
	FP5 Forecast	Comment	FP6 Forecast	Comment
Operating revenue	2,361	<ul style="list-style-type: none"> <li>Stabilized NOI and investment corporation expenses for 17 assets post sale of Confomall</li> <li>Plan to repay ¥1.4b out of a ¥7.4b loan which matures end August '18 and refinance ¥6.0b. Interest costs increasing in FP5 due to extending ¥6.0b loan term to 4.5 years from 2 years.</li> </ul>	2,325	<ul style="list-style-type: none"> <li>Compared to FP5, utilities revenue and utilities expenses will decline due to seasonal fluctuations, however, net profit and DPU is expected to remain unchanged.</li> </ul>
Operating expenses	1,333		1,296	
Operating profit	1,028		1,029	
Non-operating expenses	161		162	
Ordinary profit	867		867	
Net profit	866		866	
Distribution per unit (DPU) (¥)	2,600		2,600	
Annualized DPU yield <sup>2</sup>		5.7%		

<sup>1</sup> The previous fiscal periods of the end of February and August were changed to the end of June and December by resolution of the second general meeting of investors held on 31 May 2018. FP5 Forecast after the change of fiscal periods was announced on 10 May 2018.

<sup>2</sup> Annualized DPU yield based on the closing price of ¥90,800 on 13 August 2018 and using the aggregate forecast DPU for FP5 and FP6 (¥5,200).

¥ per unit



1 Apr 2016 - 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 - 31 Aug 2017

- Increase in occupancy
- Savings in operating expenses

1 Sep 2017 - 28 Feb 2018

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

1 Mar 2018 – 30 Jun 2018

- Four month FP only.
- Increase of ¥48 per unit from initial forecast due to the recording of gain on sale of Confomall and expenses related to an investment transaction that was not completed

1 Jul 2018 - 31 Dec 2018

- Revised DPU reflects decrease in NOI from sale of Confomall
- Represents stabilized DPU
- Improved LTV with repayment of ¥1.4b short-term

1 Jan 2019 – 30 Jun 2019

- Represents stabilized DPU

## Section 3 – FP4 Key Initiatives to Enhance Unitholder Value

## FP4 Sale of Regional Mixed Use asset at attractive premium

### Confomall Sapporo



NOI Yield <sup>1</sup>	4.8%
Post dep'n NOI yield <sup>2</sup>	3.1%
Realised gain	¥142m
Build date	Mar 2003
Acquisition date	9 Sep 2016
Date of sale	28 Jun 2018
Sale price	¥1.640bn
Appraisal value	¥1.440bn
Acquisition price	¥1.400bn
Book value	¥1.429bn

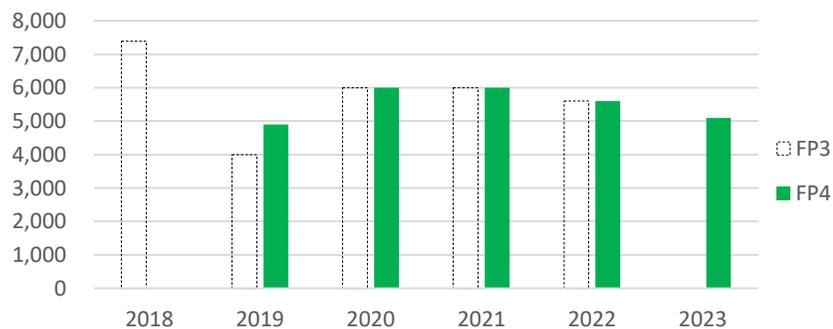
Portfolio weighting to Greater Tokyo Area **53.7% to 55.0%**

Premium to September 2016 acquisition price **17.1%**

Upgrade to FP4 DPU (¥1,801 to ¥1,848) **2.6%**

## Proceeds used to repay short term borrowings (31 August 2018)

### Repayment Schedule



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

<sup>2</sup> NOI Yield post dep'n equates to appraisal NOI less depreciation / sale price

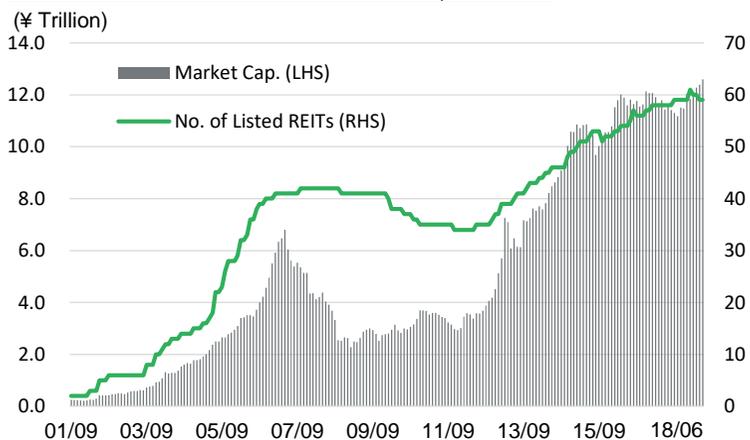
	LTV (%)
FP4 30 June 2018	46.2
Post planned repayment 31 August 2018	44.9
Difference	-1.3 ↓
<b>Borrowing capacity assuming LTV 50% (¥ bil)</b>	
FP4 30 June 2018	4.6
Post planned repayment 31 August 2018	6.0
Difference	1.4 ↑

## Section 4 – JREIT Sector & Peer Comparison

## JREIT Sector

- Total market capitalization as at end June 2018 of JPY12.6 trillion
- 59 JREIT's as at end June 2018 with 2 new entrants in 2018
- The volume of IPOs and POs 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 JREITs and Market Capitalisation<sup>1</sup>

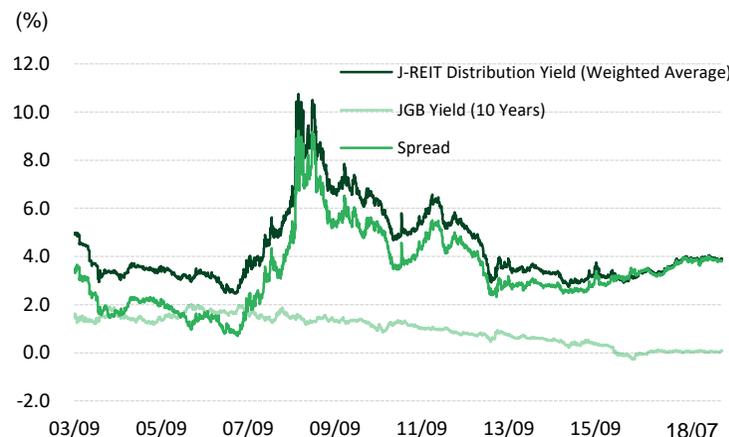


Number of Listed JREITs and Market Capitalisation<sup>3</sup>

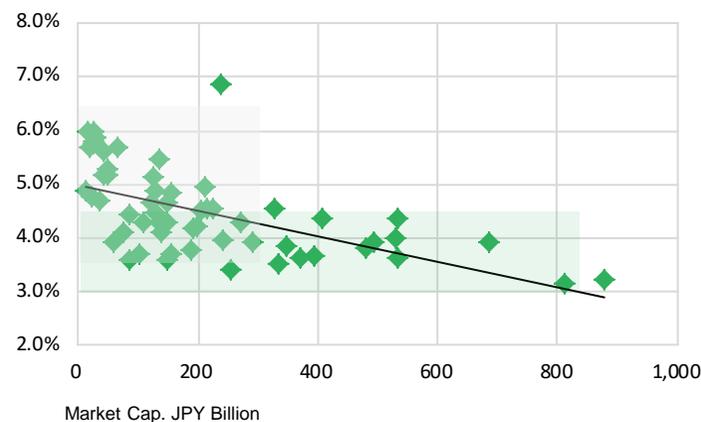
Year	IPO		PO		IPO+PO		J-REIT Total Market Cap (USDm)
	Volume	Value (USDm)	Volume	Value (USDm)	Volume	Value (USDm)	
2012	4	2,512	11	1,970	15	4,482	40,748
2013	6	4,085	37	6,749	43	10,834	68,747
2014	6	2,145	30	5,239	36	7,383	95,508
2015	5	1,085	35	6,336	40	7,421	95,344
2016	7	2,766	30	4,947	37	7,713	109,456
2017	2	892	25	4,084	27	4,976	103,603
2018	2	421	18	3,106	20	3,527	113,717

Note: Exchange rate as of 30 June 2018 (1 USD=¥110.76)

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



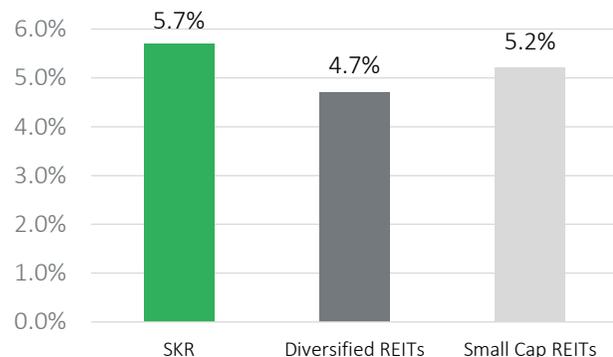
JREIT DPU Yields – Significant gap between small and large cap JREITs<sup>4</sup>



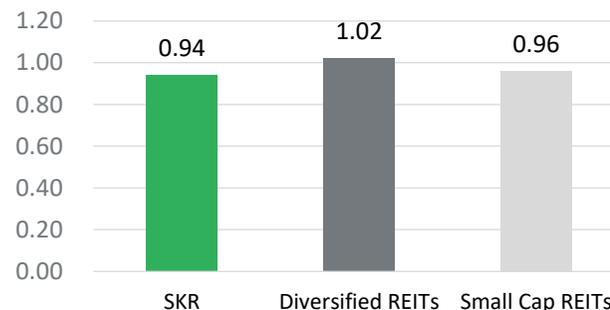
## JREIT Peer Comparison<sup>1</sup>

- SKR undervalued compared to Diversified and Small Cap REIT peers
- SKR's forecast DPU yield is 100 basis points ("bps") higher than Diversified REITs and 50bps higher than Small Cap REITs as at 31 July 2018
- Based on current trading price SKR's implied NOI cap rate is 5.4%, 90 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

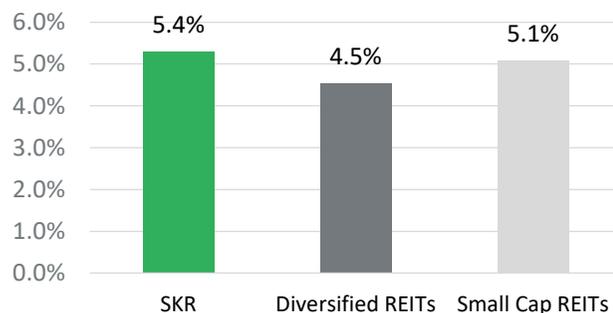
Annualised DPU Yield<sup>1</sup>



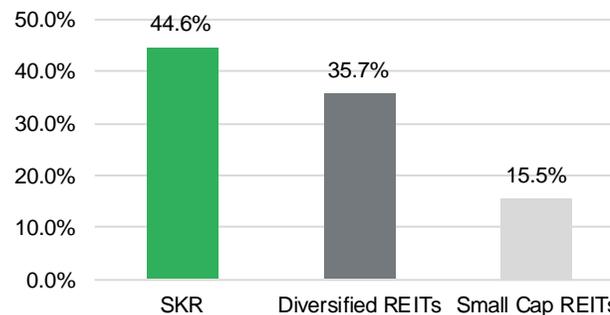
Price / Net Asset Value<sup>2</sup>



Implied Capitalization Rate<sup>2</sup>



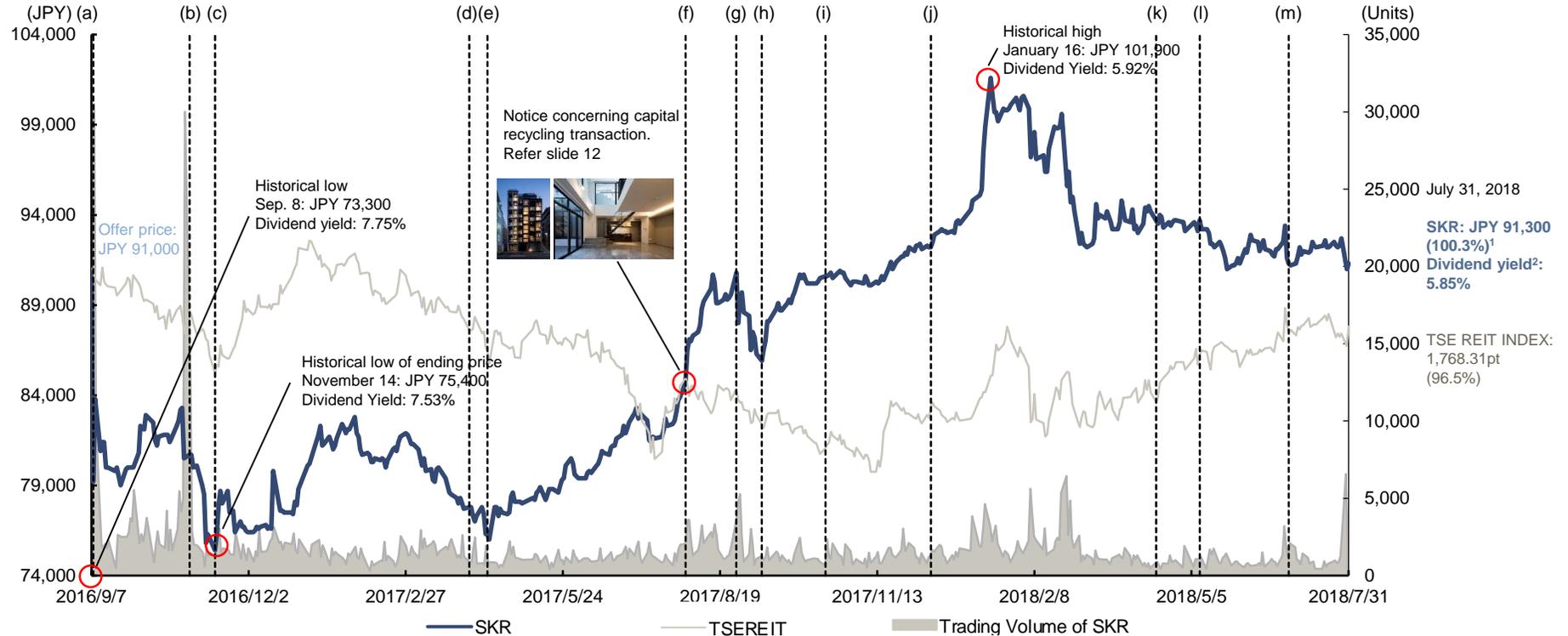
% of Portfolio located in Tokyo Central Five Wards<sup>3</sup>



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

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

<sup>3</sup> Source: J-REIT DB – Weighted average calculated using AUM of each J-REIT



(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 of 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.
(k)	(Mon) Apr. 16 2018	Financial Results for the 3 <sup>rd</sup> Fiscal Period
(l)	(Thu) May. 10 2018	Notice Concerning the Change of Fiscal Period
(m)	(Thu) June. 28 2018	Notice Concerning Disposition of Domestic Trust Beneficiary Right of "Confomall Sapporo"

<sup>1</sup> As of 31 July 2018. Indexation by using SKR offer price (JPY 91,000).

<sup>2</sup> Dividend yield calculated using current DPU forecast for FP5 & FP6 (JPY 1,848 and JPY 2,600 respectively) and July 31<sup>st</sup> 2018 SKR closing price (JPY 91,300)

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 1.1% as at Q2 2018.

- Increase of 0.2% in portfolio appraisal value excluding Confomall Sapporo. Office continued to be the strongest sector with a 0.4% increase
- Continued high level of occupancy across the portfolio
- Continued upward rent reviews in the office portfolio

## Portfolio Value

	Appraisal Value (¥ bn) <sup>1</sup>	Book Value (¥ bn) <sup>1</sup>	Unrealized Gain (¥ bn) <sup>1</sup>
@ FP3 28 February 2018 / excl Confomall	60.543 / 59.103	57.673 / 56.260	2.870 / 2.843
@ FP4 30 June 2018	59.246	56.239	3.007
<b>Variance</b>	↓ 2.1% / 0.2% ↑	↓ 2.5% / 0.0% ↓	↑ 4.8% / 5.8% ↑



NK Building

## Portfolio Performance

	Occupancy (%) <sup>2</sup>	NOI Cap Rate (%) <sup>1,2</sup>	NOI (¥bn) <sup>1,2</sup>
@ FP3 28 February 2018 / excl. Confomall	98.4 / 98.6	5.2 / 5.2	3.133 / 3.052
@ FP4 30 June 2018	98.7	5.2	3.060
<b>Variance</b>	↑ 0.3 / 0.1 ↑	↔ 0.0 / 0.0 ↔	↓ 2.3% / 0.3% ↑



Suroy Mall Chikushino

## Office Market Trends

	Office Market Rents <sup>3</sup>	Office Passing Rents <sup>4</sup>	Tokyo Office Vacancy (%) <sup>5</sup>
@ FP3 28 February 2018	16,295	15,770	1.5
@ FP4 30 June 2018	16,295	15,828	1.1
<b>Variance</b>	0.0% ↔	0.4% ↑	0.4 ↓



Hiei Kudan Building

<sup>1</sup> Number of assets as at end of FP3 is 18, number of assets as at end of FP4 number is 17 post disposition of Confomall Sapporo on 28 June 2018

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

<sup>3</sup> Weighted average office market rents (¥/tsubo/month) as per independent appraisals dated February 2018 and June 2018

<sup>4</sup> Weighted average office passing rent (¥/tsubo/month) as per office lease agreements reflected in independent appraisals dated February 2018 and June 2018

<sup>5</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)

Updated

## Occupancy (%)<sup>1</sup>

	Office	Retail	Residential	Other <sup>1</sup>
@ FP3 28 Feb 2018 / excl. Confomall	100.0	98.8	96.5	97.9 / 100.0
@ FP4 30 Jun 2018	100.0	99.0	96.6	100.0
<b>Variance</b>	0.0 ↔	0.2 ↑	0.1 ↑	↑ 2.1 / 0.0 ↔

## Passing Rents<sup>1</sup>

	Office	Retail	Residential	Other <sup>1</sup>
@ FP3 28 Feb 2018 / excl. Confomall	15,770	4,845	4,636	4,525 / 3,970
@ FP4 30 Jun 2018	15,828	4,841	4,633	3,970
<b>Variance</b>	0.4% ↑	0.0% ↓	0.0% ↓	↓ 12.3% / 0.0% ↔

## Appraisal Values (¥bn)<sup>2</sup>

	Office	Retail	Residential	Other <sup>1</sup>
@ FP3 28 Feb 2018 / excl. Confomall	26.760	23.120	6.645	4.018 / 2.578
@ FP4 30 Jun 2018	26.870	23.130	6.665	2.581
<b>Variance</b>	0.4% ↑	0.0% ↑	0.3% ↑	↓ 35.8% / 0.1% ↑

## NOI Cap Rates (%)<sup>2</sup>

	Office	Retail	Residential	Other <sup>1</sup>
@ FP3 28 Feb 2018 / excl. Confomall	4.3	5.8	6.0	6.0 / 6.1
@ FP4 30 Jun 2018	4.3	5.8	6.0	6.2
<b>Variance</b>	0.0 ↔	0.0 ↔	0.0 ↔	↑ 0.2 / 0.1 ↑

<sup>1</sup> Confomall Sapporo was included as at end of FP3 and excluded as at end of FP4 post disposition on 28 June 2018

<sup>2</sup> ¥ per tsubo per month reflecting in place passing rents

<sup>3</sup> As per independent appraisals dated February 2018 and June 2018

## Rent reviews

Number of rent reviews	4
% of office portfolio reviewed	5.2
Number of rent increases	1
NRA with rent increase (tsubo)	30.2
Average rent increase (%)	3.3
Total increase in annual office rent (¥m)	0.2



Hiei Kudan Building

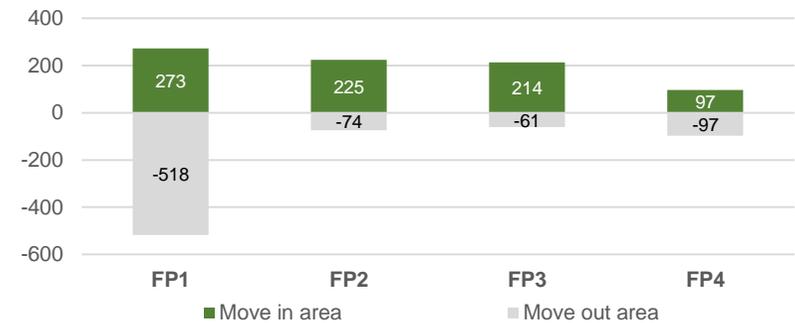
Seishin Building

Tsukasamachi Building

## New Leases / Lease renewals

Number of leases expiring	12
Number of leases renewed	11
Number of leases cancelled	1
Tenant retention rate (%) <sup>1</sup>	91.7

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



## Average % change - replacement tenant vs previous passing rent<sup>2</sup>



<sup>1</sup> Tenant retention rate is the # of office leases that renewed in the period / # leases expiring in the period

<sup>2</sup> FP4 average decrease in rent was attributed to previous tenant occupying space for a limited time as a show room for condominium sales. Rent of new tenant is inline with market rent. Also, as at end July 2018 (FP5), 2 vacated units totaling roughly 190 tsubo were contracted at 9.4% higher than previous tenants.

## Overview

- LTV increased by 0.3% at the end of FP4 due to the sale of Confomall Sapporo. However, the LTV after debt repayment at the end of August will decrease to 44.9%, 1.0% lower than the LTV as at end FP3
- Average loan duration post refinance at the end of August is expected to be 2.91 years, an increase from 2.12 years as at the end of FP3
- Net asset value per unit unit increased by 0.4% due to rise in appraisal values
- Estimated stabilized DPU is maintained at 5.7%

## Balance Sheet

	LTV (%)	Ave. loan maturity (years)	Total Liabilities (¥ bn)
@ FP3 28 February 2018	45.9	2.45	32.7
@ FP4 30 June 2018	46.2	2.12	32.8
<b>Variance</b>	0.3 ↑	0.33 ↓	0.3% ↑

	Net Equity (¥ bn)	NAV (¥ per unit)	Total Assets (¥ bn)
@ FP3 28 February 2018	29.25	96,470	63.19
@ FP4 30 June 2018	29.25	96,880	62.75
<b>Variance</b>	0.0% ↔	0.4% ↑	0.7% ↓



Seishin Building



Urban Plaza Imazato



Suroy Mall Nagamine

## Investment Units

	Unit Price (¥ per unit)	Annualized DPU yield (%)	P/NAV
@ FP3 28 February 2018	94,500 <sup>1</sup>	5.7 <sup>1</sup>	0.98
@ FP4 30 June 2018	90,800	5.7 <sup>2</sup>	0.94
<b>Variance</b>	3.9% ↓	0.0% ↔	4.1% ↓

<sup>1</sup> Annualized DPU yield based on unit price of ¥94,500 as at 12 April 2018 and the aggregate of FP4 and FP5 DPU Forecasts announced on 16 April 2018

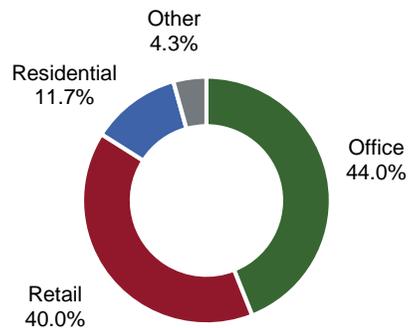
<sup>2</sup> Annualized DPU yield based on aggregate of current FP4 and FP5 DPU Forecasts and closing price on 13 August 2018 of ¥90,800

At 30 June 2018 (post disposition of Confomall Sapporo)

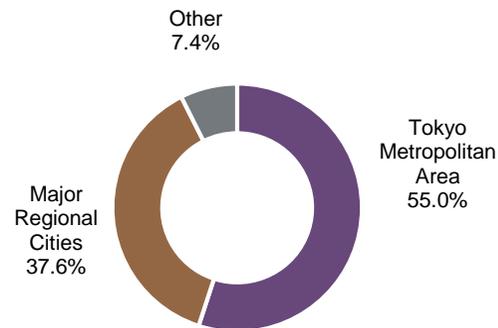
No. of properties	17	Total appraised value ¥m	59,246	Average NOI yield % <sup>1</sup>	5.2
Average occupancy %	98.6	Total book value ¥m	56,239	Average NOI yield post depreciation % <sup>1</sup>	4.3

## Portfolio Diversification

Investment Ratio by Asset Type



Investment Ratio by Location



## Lease type (by income)

Standard Japanese leases %	55.7
Non-cancellable leases % <sup>2</sup>	44.3
WALE <sup>3</sup> of non-cancellable leases (years)	7.4

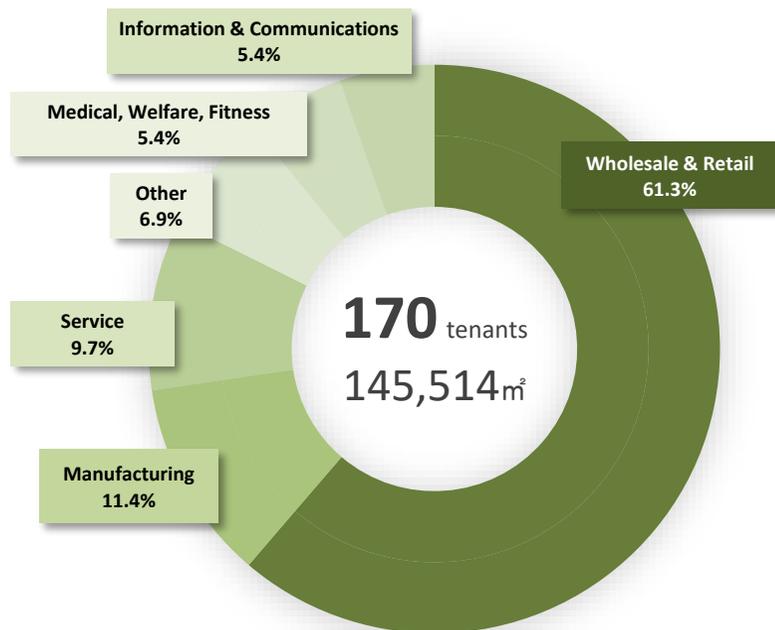
<sup>1</sup> Calculated based on 30 June 2018 independent appraisals.

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

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

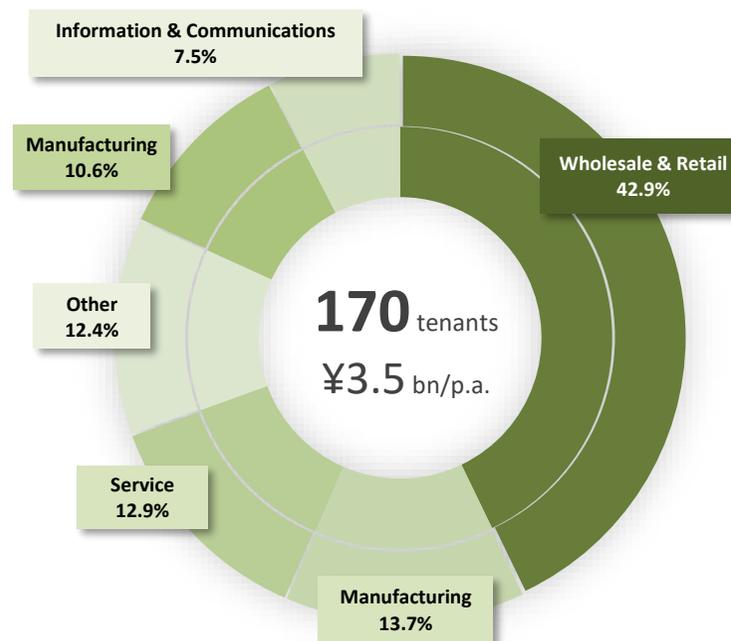
At 30 June 2018 (excluding Residential portfolio)

■ By leaseable area<sup>1</sup>



Industry	Leased area (m <sup>2</sup> )
Wholesale & Retail	89,148
Manufacturing	16,601
Service	14,095
Other	9,974
Medical, Welfare, Fitness	7,883
Information & Communications	7,812
<b>Total</b>	<b>145,514</b>

■ By rent per annum<sup>2</sup>



Industry	Rent (¥mil p.a.)
Wholesale & Retail	1,502
Information & Communications	481
Service	453
Other	435
Manufacturing	374
Medical, Welfare, Fitness	266
<b>Total</b>	<b>3,511</b>

<sup>1</sup> Indicates the ratio of leased area (including storage, but excluding car park) with respect to the total leaseable area.

<sup>2</sup> Indicates the ratio of all-in rent revenue (including storage) from each tenant with respect to total portfolio rent revenue excluding residential portfolio.

At 30 June 2018 (excluding residential portfolio)

By leaseable area

Tenant	Property	Leased area (m <sup>2</sup> ) <sup>1</sup>	% of total portfolio leaseable area (%) <sup>2</sup>	Lease expiry date	Type of lease
Seiyu GK	Seiyu Minakuchi	23,814.90	16.4	Non-disclosure <sup>4</sup>	Standard
Nagasakiya Co., Ltd.	La Park Kishiwada	15,249.10	10.6	18-Oct-34	Standard
Non-disclosure <sup>4</sup>	Funabashi Hi Tech Park I	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>
Mr. Max	Suroy Mall Chikushino	7,997.10	5.5	03-Jul-27	Fixed term
Sakoda Co., Ltd.	Suroy Mall Chikushino	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Fixed term
Nobuta Enterprises	La Park Kishiwada	7,555.90	5.2	19-Jul-27	Fixed term
Edion Corporation	Suroy Mall Chikushino	4,955.70	3.4	03-Jul-27	Fixed term
Sanki Co., Ltd.	La Park Kishiwada	4,281.60	2.9	22-Jul-23	Fixed term
Non-disclosure <sup>4</sup>	Funabashi Hi Tech Park II	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>
Vinxus Corporation	NK Building	2,927.37	2.0	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>

By rent revenue

Tenant	Property	Asset Type	% of total portfolio rent revenue (%) <sup>3</sup>	Lease expiry date	Type of lease
Nagasakiya Co., Ltd.	La Park Kishiwada	Retail	Non-disclosure <sup>4</sup>	18-Oct-34	Standard
Non-disclosure <sup>4</sup>	Seiyu Minakuchi	Retail	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Standard
Vinxus Corporation	NK Building	Office	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>
Nobuta Enterprises	La Park Kishiwada	Retail	Non-disclosure <sup>4</sup>	19-Jul-27	Fixed term
Non-disclosure <sup>4</sup>	Suroy Mall Chikushino	Retail	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Fixed term
Mr. Max Co., Ltd.	Suroy Mall Chikushino	Retail	Non-disclosure <sup>4</sup>	03-Jul-27	Fixed term
Non-disclosure <sup>4</sup>	Funabashi Hi Tech Park I	Other	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>	Non-disclosure <sup>4</sup>
Spectris Co., Ltd.	Tsukasamachi Building	Office	2.5	30-Sep-18	Standard
Jorudan Co., Ltd.	Seishin Building	Office	2.4	31-Jan-20	Standard
Edion Corporation	Suroy Mall Chikushino	Retail	Non-disclosure <sup>4</sup>	03-Jul-27	Fixed term

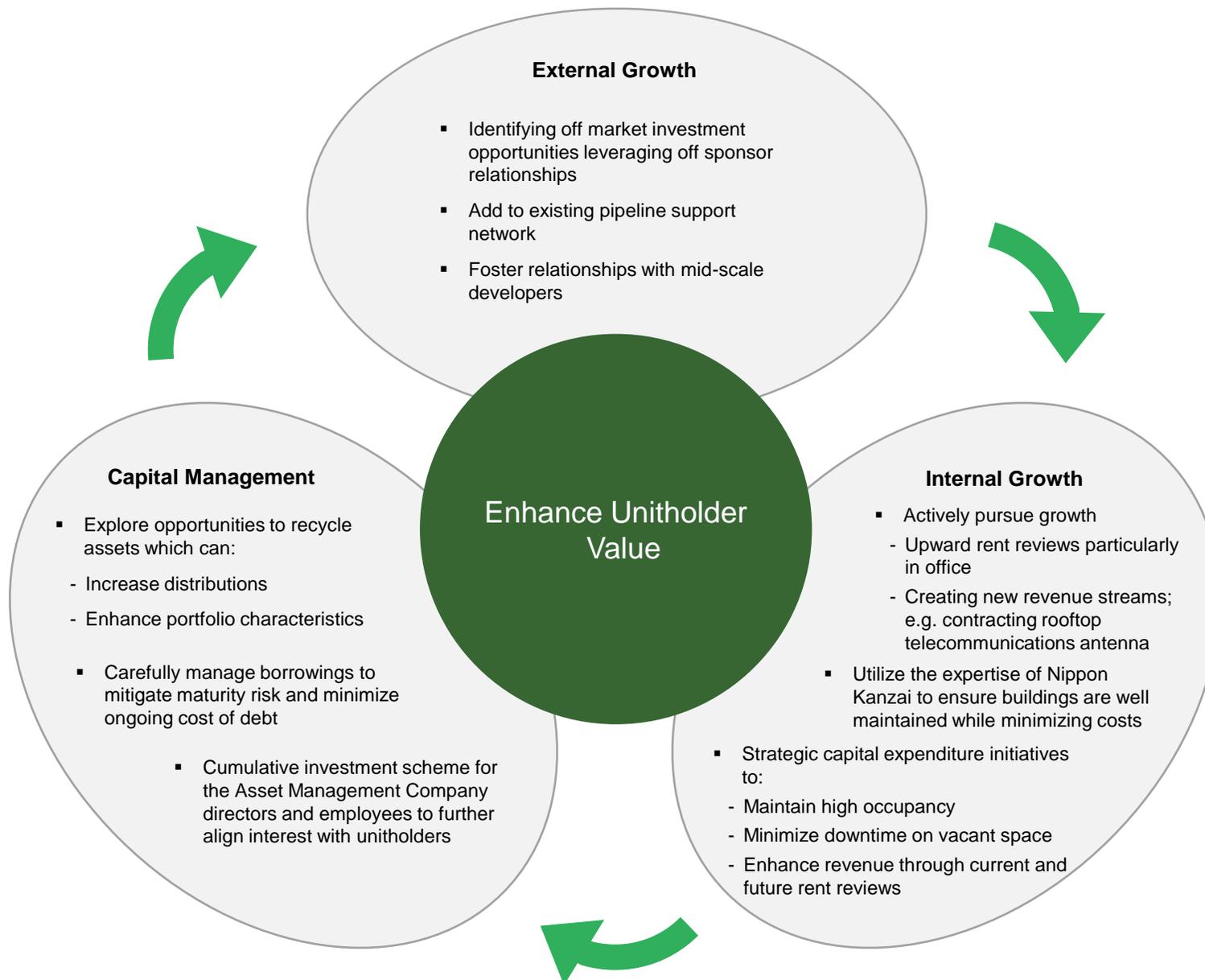
<sup>1</sup> Indicates the leased area (including storage, but excluding car park) indicated in each lease agreement pertaining to each tenant as at 30 June 2018.

<sup>2</sup> Indicates the ratio of leased area with respect to the total leaseable area.

<sup>3</sup> Indicates the ratio of all-in rent revenue (including storage) from each tenant with respect to total portfolio rent revenue excluding residential portfolio.

<sup>4</sup> Tenant would not allow disclosure

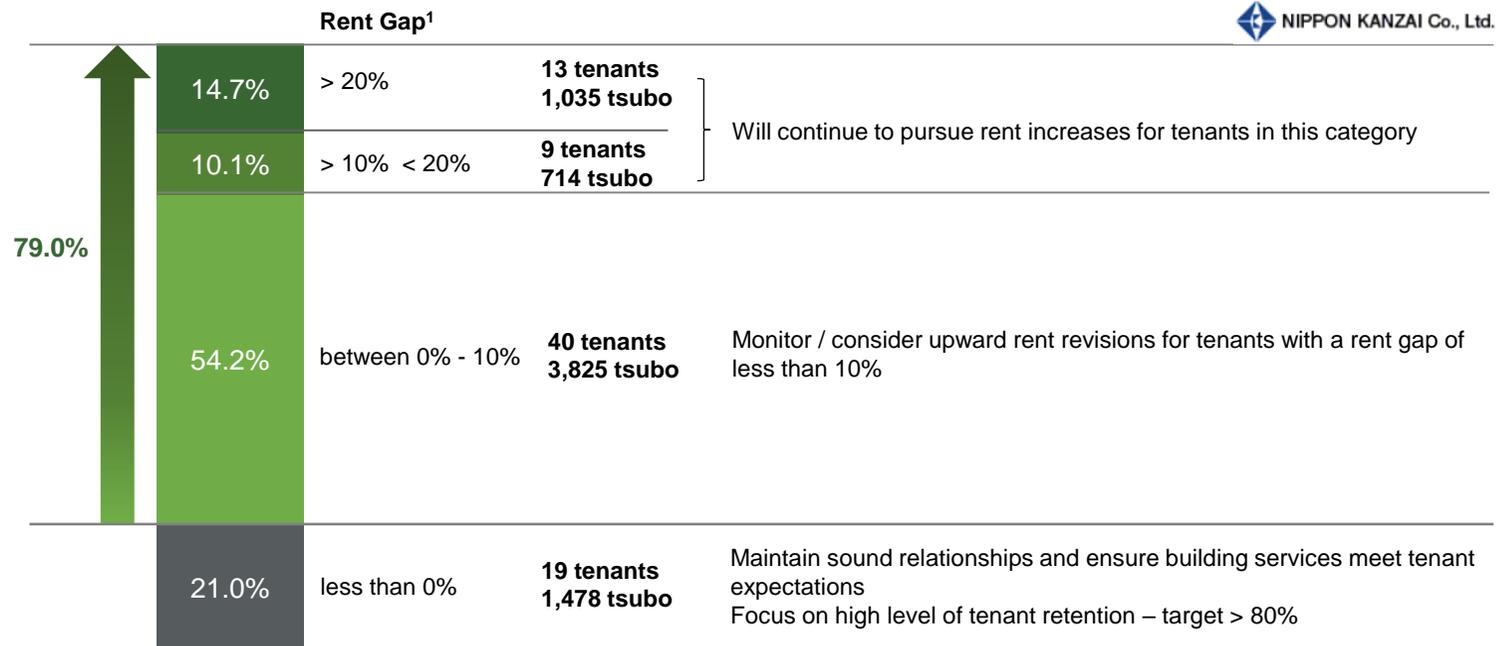
## Section 6 - Management Key Priorities



## Part A - Internal Growth Initiatives

## Office

- Successful track record of achieving rent increases in office assets
- Uplift of 3.3% for a rent review, ¥0.2 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)

4th Fiscal Period		
1	3.3	0.2
Number of Increases	Average increase (%)	Amount p.a. (¥ mil)

## Office

### Tsukasamachi Bldg EV enhancement

Undertook major EV renewal works which will further contribute to tenant satisfaction and enhance asset value



Before

After

## Residential

### Matsuya Residence Sekime Achieving higher rental rates for new tenants

Differentiated subject property from neighboring properties by reducing tenant initial costs (no longer requiring TSD and key money as lease conditions) while revisiting and further promoting the strengths of subject property; e.g. good natural sunlight, well known primary school right across the street and onsite carpark facilities. Also, currently undertaking large-scale refurbishment works on the external walls which will approve the appearance and level of safety of the property while making it more competitive from a leasing standpoint.

- Market rent within this area and assessed rent by independent appraiser is between ¥5,100 and ¥5,300 per tsubo/mth
- During the period 7-units were retenanted at rents roughly 5% higher than previous tenants; ¥5,600 and ¥6,400 per tsubo/mth

## Retail

### La Park Kishiwada Effective utilization of common area space

Converted portion of idle common area space into rentable storage for an existing tenant. Increase in revenue is approx. ¥1 million p.a.



Before

After

### La Park Kishiwada Increased vending machine revenue

Renegotiated terms with vending machine operators while adding one new vending machine and changing one other. Forecast annual increase in revenue is approx. ¥340k based on May and June 2018 actuals



Before

After



## Internal Growth Initiatives

Nippon Kanzai Group (“NKZ”) has been involved in identifying and implementing initiatives across the portfolio to assist in achieving internal growth.

- Property management consolidation
  - PM operations for 7-office properties, 1-retail property and 2-industrial properties were entrusted to Japan Property Solutions Co., Ltd. (“JPS”)
- Initiatives for internal growth including specific works:
  - Kishiwada floor polishing: Enhanced appearance and brightness (via reflection of floor) without undergoing major floor tile replacement works which contributed to attracting a new tenant
  - Re-tendered building maintenance service agreements for 10 properties resulting in a cost reduction by ¥3.6m p.a.
  - Proposal for installation of outdoor rooftop antenna at Seishin and Azabu Amerex. Estimate revenue increase of in income of ¥610k p.a.
- Examples of past initiatives:
  - Seishin: Identifying reusable parts and equipment utilized for renewing HVAC facilities; cost reduction of approx. ¥2.0m.
  - Seiyu: prudent planning and maximum efforts made to split up rooftop waterproofing construction works into 4 separate phases which helped avoid negatively affecting customers
  - Takadanobaba: Timer added to HVAC facilities for managing after hours electricity usage resulting in a cost savings of approx. ¥1.0m p.a.

## Portfolio Property Management Consolidation

NKZ consolidated its property management business to group company JPS to further strengthen its property management platform and tenant leasing services by leveraging off its experience, know-how and nationwide network. JPS currently provides property management services to 10 Sakura Sogo REIT assets.

JPS is a property management company that was established 15 years ago and with 278 properties currently under management nationwide. Last year, after parent company NKZ’s strategic decision to consolidate the group’s PM business it became a more comprehensive PM company covering a wide range of asset types including logistics facilities, retail facilities, hotels, etc. in addition to office buildings. JPS maintains five business locations, including the Tokyo head office, in Nagoya, Osaka, Hokkaido and Kyushu which allows it to cover and flexibly manage a wide area.

### Corporate Information (as at April 2018)

Establishment: 2 August 2002  
 Shareholder: Nippon Kanzai Co., Ltd. (100%)  
 Employees: 96  
 Licenses: Takken, Architecture level 1, Specific Construction, Security business, Appraisal business



Seishin Building



Seiyu Minakuchi



Funabashi Hi Tech Park II

## NOI Enhancement

Through various proactive initiatives, expected to enhance NOI by in total over ¥25m from FP1 through FP5 (forecast).



	Properties	Action	Revenue increase	Cost reduction
FP5 (forecast)	2-office properties La Park Kishiwada 17-properties	Execute agreement with rooftop antenna telecommunications provider Renovation of HVAC resulting in lower forecasted expenses Re-tender casualty insurance for portfolio	¥0.6m p.a.	¥0.1m p.a. tbd
FP4	La Park Kishiwada La Park Kishiwada 10-properties	Converted unused space for tenant into storage space Renegotiated terms with vending machine operators Renegotiated building maintenance service agreements	¥1.8m p.a. ¥0.3m 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 (“AM”)

Through an existing pipeline support agreement between Liv Group and the AM, the AM is considering acquisition of a property located in the Kanto area introduced by Liv:

- 2-year old distribution centre
- Asset is single tenanted to a TSE listed corporate
- Over 60,000m2

Summary of Pipeline Support Agreements

Preferential provision of information

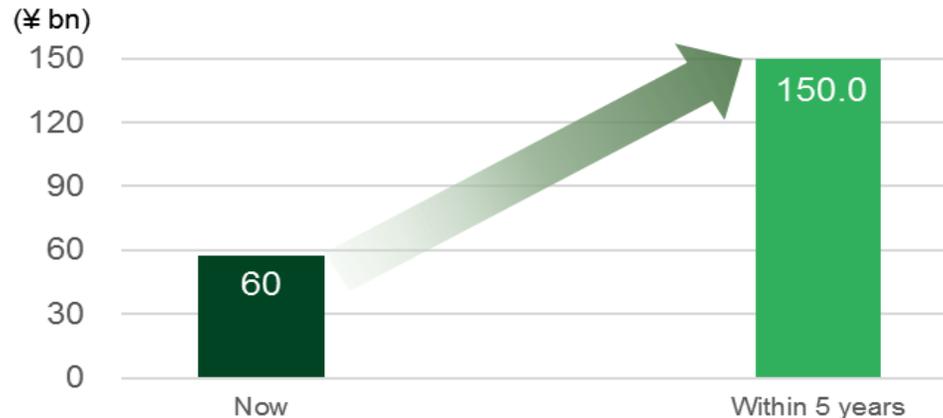
SKR is granted preferential access to information of disposition properties owned by the respective Pipeline Support Partner

Counter Parties



Company	Liv Co., Ltd.	Company	Listed on TSE 2 <sup>nd</sup> section <sup>1</sup>
Location	Minato-ku, Tokyo	Location	Minato-ku, Tokyo
Business	Development, land subdivision, brokerage	Business	Real Estate sales, brokerage, leasing mgt.

## 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 10 for more details of Galileo developments in Australia

<sup>1</sup> The company would not allow disclosure.

## Part C - Capital Management

## Borrowings

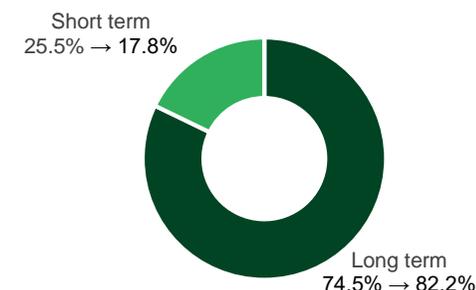
Type	Lender	Loan amount (¥ mil) 31-Aug-18	Interest rate	Maturity date
Short term	A Syndicate of lenders with Sumitomo Mitsui Banking Corporation:	900 (planned)	Base Rate +0.2% (floating)	30-Aug-19
		4,000	0.71096% (fixed)	30-Aug-19
Long term	Sumitomo Mitsui Banking Corporation, Shinsei Bank, Limited, 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	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
		5,100 (planned)	tbd (fixed)	28-Feb-23
Total		27,600		

Collateral: Unsecured and unguaranteed

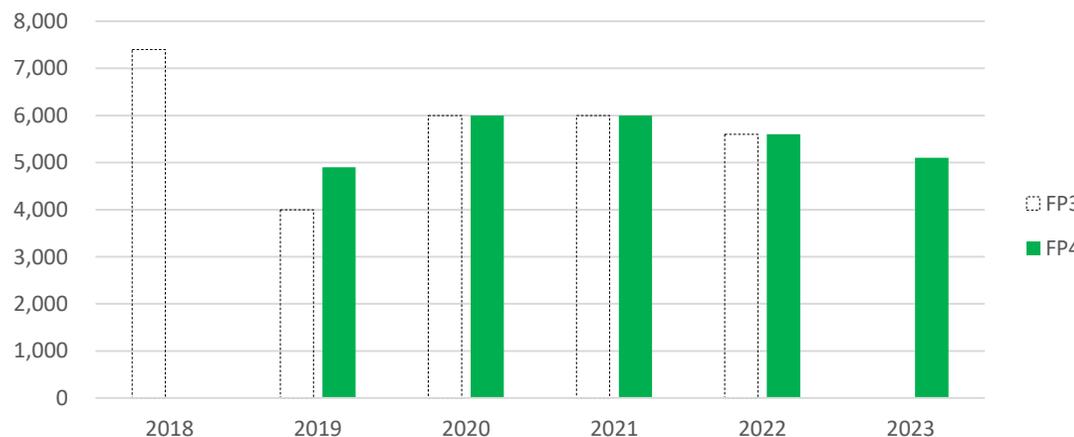
## Loan cost and duration (at 31 August 2018)

Average duration (Years) **2.12 → 2.91**

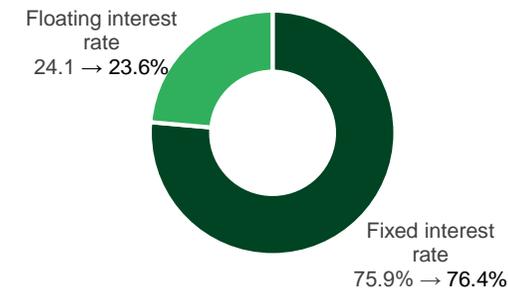
## Debt Ratio - Term



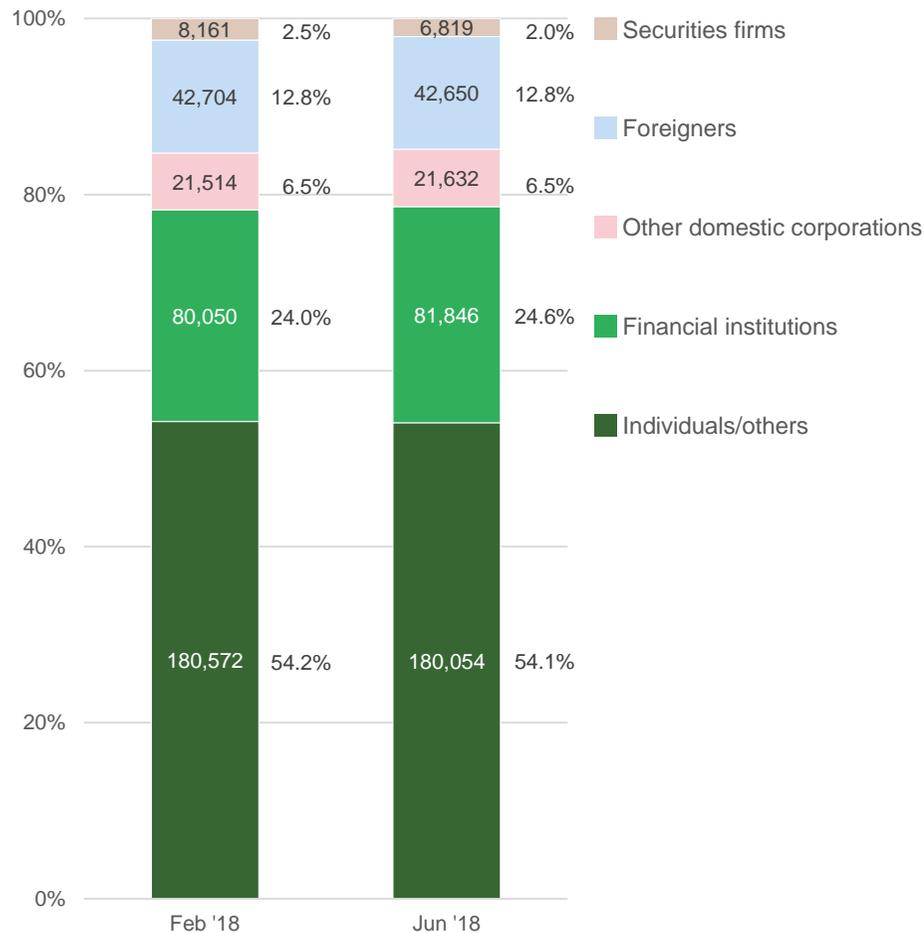
## Repayment Schedule



## Interest Rate Ratio



## No. of Investment Units by Investor Type



## Main Unitholders

at 30 June 2018

Rank	Name	Number of Units Owned	Percentage Share (%) <sup>1</sup>
1	The Master Trust Bank of Japan, Ltd.	27,454	8.24
2	Japan Trustee Service Bank, Ltd.	22,083	6.63
3	JP Morgan Bank (Ireland) Plc 380423	14,558	4.37
4	The Nomura Trust and Banking Co., Ltd. (Investment account)	12,032	3.61
5	Galaxy JREIT Pty. Ltd. (Galileo Group)	8,700	2.61
5	Nippon Kanzai Co., Ltd.	8,700	2.61
7	Credit Suisse Securities (Europe) Ltd. PB Omnibus Client Account	6,802	2.04
8	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	6,790	2.04
9	Kinki Sangyo Credit Union	5,587	1.68
10	Japan Trustee Service Bank, Ltd. (Trust Account 9)	2,785	0.84

<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 30 June 2018

Assets	Unit: ¥ mil
<b>Current assets</b>	<b>6,177</b>
Cash and deposits	1,664
Cash and deposits in trust	4,257
Other	254
<b>Non-current assets</b>	<b>56,575</b>
Property, plant equipment	55,568
Intangible fixed assets	688
Investments and other assets	318
<b>Total assets</b>	<b>62,752</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	<b>8,261</b>
Operating accounts payable	153
Short-term loans payable	1,400
Repayment long term loan within one year	6,000
Accounts payable – other	311
Advances received	356
Other	39
<b>Non-current liabilities</b>	<b>24,621</b>
Long-term loans payable	21,600
Tenant leasehold and security deposits in trust	3,021
<b>Total liabilities</b>	<b>32,882</b>
<b>Net Assets</b>	
<b>Total unitholders' equity</b>	<b>29,870</b>
Unitholders' capital	29,254
Surplus	615
<b>Total net assets</b>	<b>29,870</b>
<b>Total liabilities and equity</b>	<b>62,752</b>

## Statement of Income

	Unit: ¥ mil
<b>Operating revenue</b>	<b>1,768</b>
Leasing business revenue	1,400
Other leasing business revenue	225
Capital gain from real estate disposition	142
<b>Operating expenses</b>	<b>913</b>
Expenses related to rent business	718
Asset management fee	117
Asset custody fee/Administrative service fees	21
Directors' compensation	4
Other operating expenses	52
<b>Operating profit</b>	<b>854</b>
<b>Non-operating expenses</b>	<b>238</b>
Interest expenses	74
Borrowing related expenses	27
Other costs associated with issuance of investment units	136
<b>Ordinary profit (loss)</b>	<b>615</b>
<b>Net profit (loss) before income taxes</b>	<b>615</b>
<b>Net profit (loss)</b>	<b>615</b>
<b>Unappropriated retained earnings</b>	<b>615</b>

# Income and Expenditure by Property for FP4 (122 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	159,985	81,668	74,456	68,841	46,180	45,003	54,540	333,817	200,489
Leasing business revenue	145,022	72,744	66,722	58,141	42,590	43,293	45,089	256,831	196,016
Other Leasing business revenue	14,962	8,924	7,734	10,699	3,589	1,710	9,451	76,985	4,473
Operating expenses from real estate leasing	32,847	22,439	16,534	23,055	13,403	12,427	16,945	185,471	50,351
Management fees	8,391	8,503	6,538	10,181	5,191	7,028	6,151	86,714	27,010
Utilities expenses	9,221	5,815	3,924	5,114	2,256	14	4,481	63,925	2,546
Insurance premium	161	106	98	119	61	89	111	844	457
Repair & Maintenance	308	204	413	704	462	276	356	610	325
Trust Fees	600	600	500	500	250	500	600	1,233	500
Property Tax	13,836	7,051	4,918	6,014	5,076	4,449	5,146	29,652	13,117
Other expenses	328	158	141	420	104	68	99	2,490	6,394 <sup>1</sup>
Leasing NOI	127,137	59,229	57,922	45,785	32,776	32,575	37,594	148,346	150,137
Depreciation	9,428	4,646	5,505	6,198	1,615	1,800	6,569	27,517	24,832
Operating income (loss) from real estate leasing	117,708	54,582	52,417	39,586	31,161	30,775	31,025	120,828	125,305

# Income and Expenditure by Property for FP4 (122 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 <sup>1</sup>
Operating revenue from real estate leasing	Non-disclosure	122,263	91,789	59,544	26,434	46,573	Non-disclosure	Non-disclosure	46,415
Leasing business revenue	Non-disclosure	101,407	85,248	52,623	24,852	28,473	Non-disclosure	Non-disclosure	38,384
Other Leasing business revenue	Non-disclosure	20,856	6,541	6,920	1,582	18,099	Non-disclosure	Non-disclosure	8,030
Operating expenses from leasing business	23,964	38,808	41,848	19,391	9,641	3,676	4,411	3,634	22,551
Management fees	4,026	10,631	17,334	9,060	4,418	1,749	660	660	4,642
Utilities expenses	0	17,257	6	1,877	341	134	0	0	7,139
Insurance premium	358	178	430	171	82	26	82	52	184
Repair & Maintenance	0 <sup>2</sup>	938	12,731	4,340	2,149	76	0	0	748
Trust Fees	500	500	839	250	250	333	600	600	490
Property Tax	7,883	8,737	9,325	3,499	2,156	1,234	3,057	2,175	8,888
Other expenses	11,196 <sup>3</sup>	564	1,180	192	243	121	11	147	457
Leasing NOI	Non-disclosure	83,455	49,940	40,152	16,792	42,896	Non-disclosure	Non-disclosure	23,863
Depreciation	30,400	12,211	13,036	7,804	4,016	3,080	6,557	2,221	9,464
Operating income (loss) from real estate leasing	Non-disclosure	71,243	36,903	32,347	12,775	39,816	Non-disclosure	Non-disclosure	14,399

<sup>1</sup> Confomall Sapporo disposed on 28 June 2018

<sup>2</sup> Capex expenditure only

<sup>3</sup> Includes leasehold rent

at 30 June 2018

Asset Type	Office							Retail	
	OF-01	OF-02	OF-03	OF-04	OF-05	OF-06	OF-07	RT-01	RT-02
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
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
Appraisal @ FP3 (¥bn)	8,850	3,980	4,040	3,510	2,270	2,090	2,020	6,640	7,790
Appraisal @ FP4 (¥bn)	8,860	4,000	4,050	3,540	2,290	2,110	2,020	6,640	7,790
NOI Yield @ FP3 (%)	3.9	4.4	4.5	4.6	4.2	4.6	5.3	6.0	5.6
NOI Yield @ FP4 (%)	3.9	4.4	4.4	4.6	4.2	4.6	5.4	6.0	5.6
NOI Yield @ FP3 post depr (%)	3.6	4.1	4.1	4.1	4.0	4.4	4.5	4.7	4.7
NOI Yield @ FP4 post depr (%)	3.6	4.0	4.0	4.0	4.0	4.4	4.4	4.7	4.7

at 30 June 2018

Asset Type	Retail		Residential				Other		Total (17 properties)
	RT-03	RT-04	RS-01	RS-02	RS-04	RS-05	OT-01	OT-02	
No.									
Property Name	Seiyu Minakuchi	Suroy Mall Nagamine	Shiroi Logiman	Matsuya Residence Sekime	Urban Plaza Imazato	Abode Yoyogi Parkside	Funabashi Hi-Tech Park I	Funabashi Hi-Tech Park II	
Address	Minakuchi, Shiga	Kumamoto city, Kumamoto	Shiroi city, Chiba	Osaka city, Osaka	Osaka city, Osaka	Shibuya-ward, Tokyo	Funabashi city, Chiba	Funabashi city, Chiba	
Appraisal @ FP3 (¥bn)	4,220	4,470	2,160	1,930	945	1,610	1,800	778	59,103
Appraisal @ FP4 (¥bn)	4,230	4,470	2,160	1,930	945	1,630	1,800	781	59,246
NOI Yield @ FP3 (%)	6.0	5.6	6.9	6.4	5.9	4.2	6.1	6.2	5.2
NOI Yield @ FP4 (%)	6.0	5.6	6.9	6.4	5.9	4.2	6.1	6.2	5.2
NOI Yield @ FP3 post depr (%)	4.0	4.8	5.2	5.2	4.7	3.6	5.1	5.5	4.3
NOI Yield @ FP4 post depr (%)	3.8	4.8	5.1	5.1	4.7	3.7	5.0	5.4	4.3



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



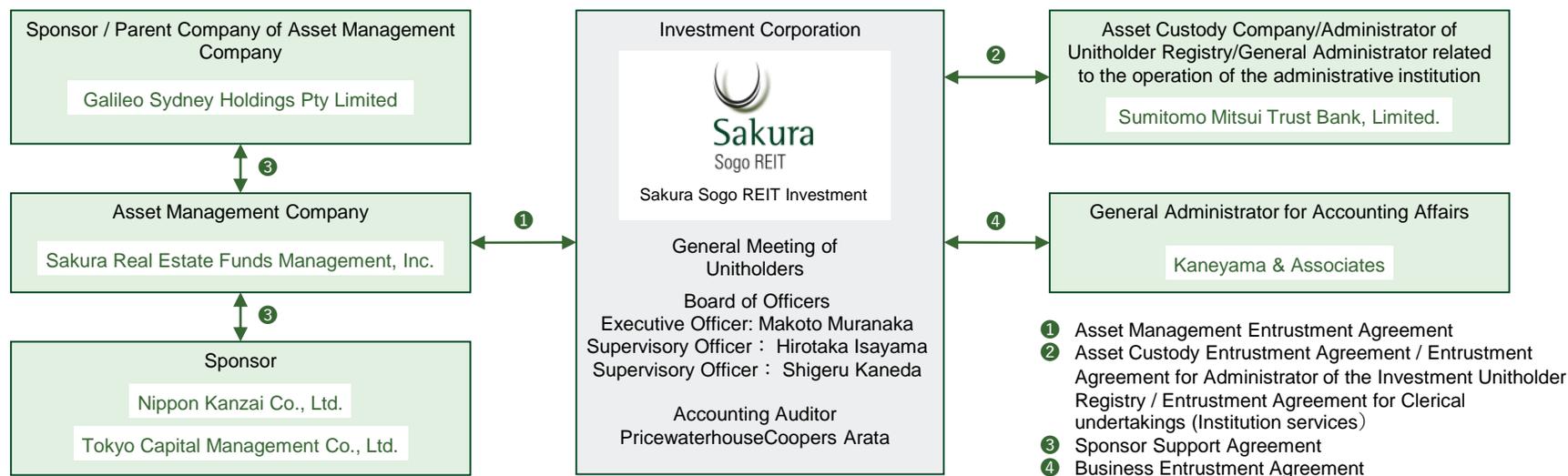
OT-01 Funabashi Hi-Tech Park I



OT-02 Funabashi Hi-Tech Park II

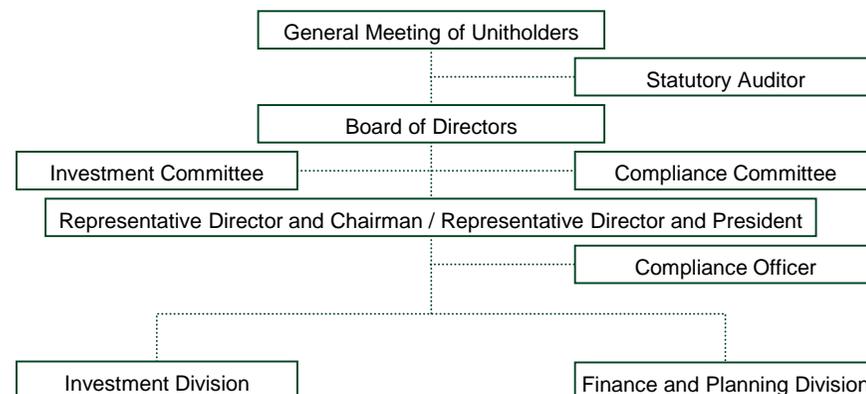


## Schematic Diagram of the Investment Corporation's Structure



## 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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