



# **Invesco Office J-REIT, Inc. (3298)**

5th Fiscal Period Ended October 31, 2016

**Invesco Global Real Estate Asia Pacific, Inc.**

<http://www.invesco-reit.co.en/>



# Table of Contents



<b>1</b>	<b>Why Invesco Office J-REIT?</b>	<ul style="list-style-type: none"><li>▪ Invesco Real Estate’s Core Strengths</li><li>▪ Leveraging Global Best Practice with Local Strength</li><li>▪ Executive Summary</li><li>▪ A well balanced portfolio strategy</li></ul>	4 5 6 7
<b>2</b>	<b>Financial Results and Forecasts</b>	<ul style="list-style-type: none"><li>▪ Financial Summary</li><li>▪ Positive earnings variance from original forecast</li><li>▪ Drivers of DPU Increase</li><li>▪ Continued earnings growth projected</li><li>▪ Drivers DPU Increase</li></ul>	9 10 11 12 13
<b>3</b>	<b>Portfolio Summary</b>	<ul style="list-style-type: none"><li>▪ Portfolio Summary</li></ul>	15-17
<b>4</b>	<b>Portfolio Enhancement Strategy</b>	<ul style="list-style-type: none"><li>▪ Portfolio enhanced strategy - Summary</li><li>▪ Impact of Portfolio Enhancement</li><li>▪ Portfolio Enhancement Strategy</li></ul>	19 20 21-23
<b>5</b>	<b>Change to Portfolio Composition Policy</b>	<ul style="list-style-type: none"><li>▪ Change in Investment Strategy</li><li>▪ Portfolio Composition Policy</li><li>▪ Aims of Investment in Urban Retail Properties</li></ul>	25 26-27 28
<b>6</b>	<b>Strategic Overview</b>	<ul style="list-style-type: none"><li>▪ Strategic Overview</li><li>▪ Remain Shareholder Focused</li><li>▪ Disciplined Acquisitions</li><li>▪ Intensive Asset Management</li><li>▪ Maintain Financial Stability and Flexibility</li><li>▪ Newly Acquired Credit Rating</li><li>▪ Act to Broaden Investor Base</li></ul>	30 31 32-33 34-41 42-43 44-45 46
<b>7</b>	<b>Invesco Group Overview</b>	<ul style="list-style-type: none"><li>▪ About Invesco</li><li>▪ Invesco Real Estate (IRE)</li></ul>	48 49

# 1. Why Invesco Office J-REIT?





## ▪ **Discipline:**

30+ year fiduciary track record focused on achieving favorable stakeholder outcomes

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## ▪ **Global Best Practices:**

Local expertise and global reach of a best-in-class real estate asset manager

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## ▪ **Process:**

Proprietary market research and underwriting identifies competitive buildings in desirable markets

# Leveraging Global Best Practice with Local Strength

Strength and Key Factors for maximizing investor value



**Rigorous research is behind IOJ strategies**

**Acquisitions excellence**

**Utilize world class portfolio management experience**

**Highly focused asset management**

# Executive Summary

(As of December 15, 2016)



## 1. Delivering investor profit with proactive portfolio management

- Improved profitability and stability of the portfolio by asset replacement – disposing Harumi Island Triton Square Office Tower Z (“Triton Square Z”) and acquiring Kinshicho Prime Tower <sup>(Note 1)</sup>
- ✓ Improved Top 10 tenants ratio  
(Leased area basis) : **43.7% -> 38.6%**
- ✓ Increased NOI yield after depreciation :  
**4.0% -> 4.1%**
- ✓ Improved Adj. DPU forecast for FP6 :  
**¥2,572-> ¥2,687**

## 2. Selectively investing in large-scale high quality buildings in metropolitan areas

- Average purchase price : **¥11.8bn**
- Portfolio growth since listing (after asset replacement) <sup>(Note 1)</sup> :  
**203.5%(¥78.6>¥160.0bn)**
- Continue to grow portfolio by expanding investable assets within investment policy of Invesco Office J-REIT, Inc. (“Investment Corporation” or “IOJ”)

## 3. Leasing success

- Average occupancy rate in FP5:  
**98.8%**
- Average rent increase for 30.2% of the office lease renewal in FP5:  
**6.2%**
- Rent growth potential at the end of FP5  
(Market rents > Existing rents (average)):  
**2.1%**

## 4. Strong credibility

- Sponsored by Invesco Ltd. - a leading independent global investment management firm
- ✓ AUM of Invesco Ltd.: **\$820.2bn** <sup>(Note 2)</sup>
- ✓ AUM of Invesco Real Estate: **\$71.0bn** <sup>(Note 2)</sup>
- ✓ Publicly traded on NYSE (Invesco Ltd.)
- ✓ S&P 500 constituent (Invesco Ltd.)
- Credit Rating for IOJ  
**JCR: A+ /Stable  
(Long-term Issuer Rating)**

(Note1) As of December 7, 2016, regarding the acquisition of Kinshicho Prime Tower, the asset management company determined to exercise the preferential negotiation right and has not determined to acquire Kinshicho Prime Tower. There is no sale and purchase agreement signed either. The date of exercising preferential negotiation right is scheduled on December 16, 2016.

(Note2) Data mentioned herein is as of September 30, 2016. 1US dollar is converted to Japanese yen by 101.275 , the currency rate is as of September 30, 2016.

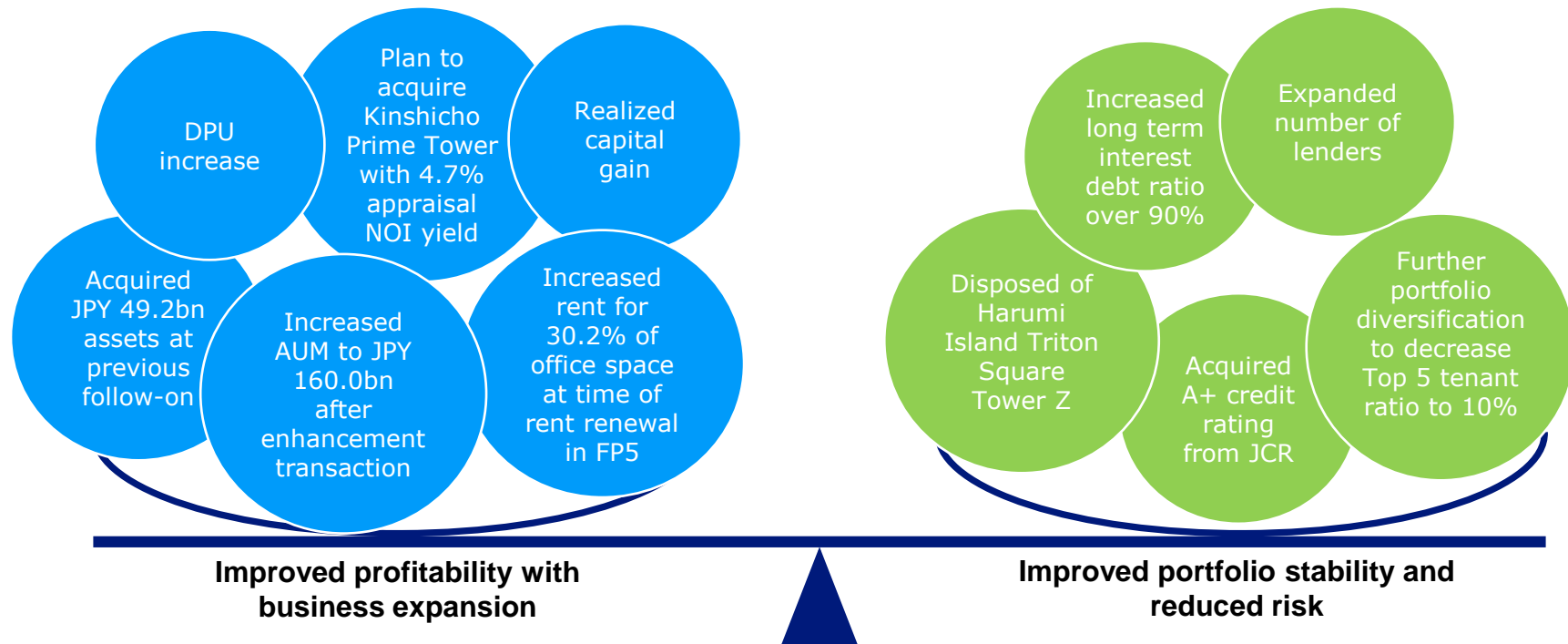
# A well balanced portfolio strategy

## IOJ's investment focus



- IOJ implements optimal investment strategies to improve profitability and business expansion while reducing risk and improving portfolio stability

## IOJ balances business expansion with improved stability



## 2. Financial Results and Forecasts





# Financial Summary

(As of December 15, 2016)



## External Growth

- Acquired 5 assets (total purchase price: ¥49.2bn) in FP5
- Portfolio enhancement in both profitability and stability by asset replacement of Triton Square Z with Kinshicho Prime Tower is expected
- AUM will be expanded from ¥154.2bn to ¥160.0bn following the asset replacement

## Internal Growth

- Improved average occupancy rate by 0.4% compared to the previous fiscal period (98.4% in FP4 to 98.8% in FP5)
- 30.2% of the office lease renewal in FP5 achieved 6.2% rent increase on average
- NOI enhanced by ¥4.11 mm due to cost reductions in FP5 (power supplier change, sub-lease for parking space etc.)

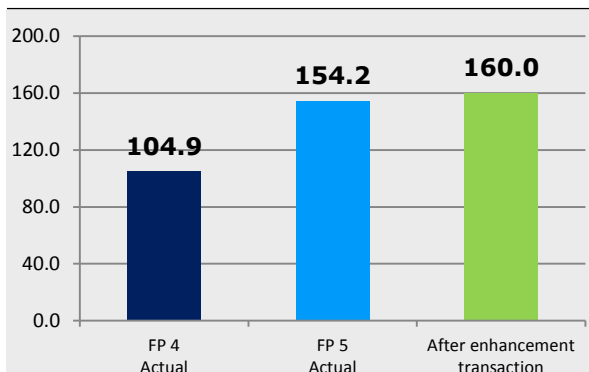
## Equity

- Increased equity by ¥25.0bn through the 2<sup>nd</sup> follow-on in FP5
- Achieved a FP5 DPU increase of 1.3% vs. prior fiscal period
- ¥783 mm of capital gain expected from Triton Square Z disposition in FP6

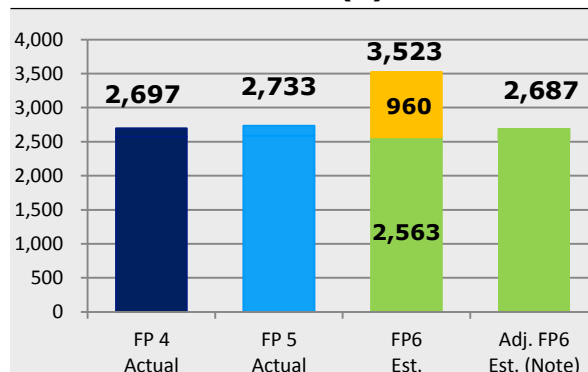
## Debt

- Control LTV level at approximately 49.1% (LTV based on appraisal value: 45.6%) after the asset replacement
- Obtain about ¥3.2bn of debt capacity at 50% of LTV after the asset replacement
- Acquired credit rating of A+ / Stable from JCR in FP5

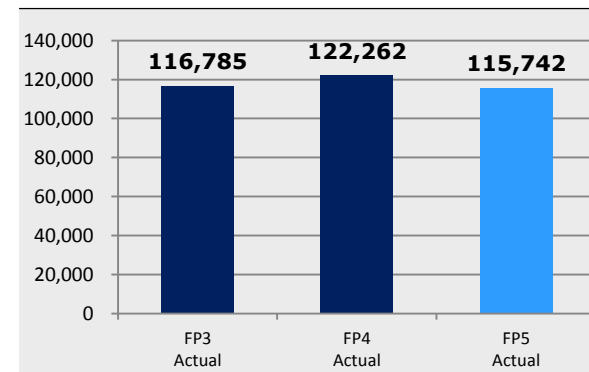
### Asset Under Management (¥bn)



### Distribution Per Unit (¥)



### Net Asset Value Per Unit (¥)



(Note) The adjusted DPU for the 6th fiscal period is calculated on the assumption that the Investment Corporation holds Kinshicho Prime Tower for the full period and exclude the rental revenue from Triton Square Z. This number is for the reference purpose only and may differ from the actual DPU.

# Positive earnings variance from original forecast

Financial Results for the 5th Fiscal Period (ended October 31, 2016)



	4th Fiscal Period Ended Apr. 30, 2016	5th Fiscal Period Ended October 31, 2016		
	Actual	Forecast (A) (as of June 15, 2016)	Actual (B)	(B)-(A)
(¥ mm)				
Operating Revenues	4,183	5,648	5,684	35
Operating Income	1,730	2,513	2,597	83
Ordinary Income	1,463	2,125	2,230	104
Net Income	1,462	2,123	2,229	105
Units Issued & Outstanding	542,210	-	815,547	-
DPU (¥)	2,697	2,600	2,733	133
LTV (%)	47.6%	-	47.7%	-
Total Assets	118,088	-	172,204	-
Loans	56,200	-	82,100	-

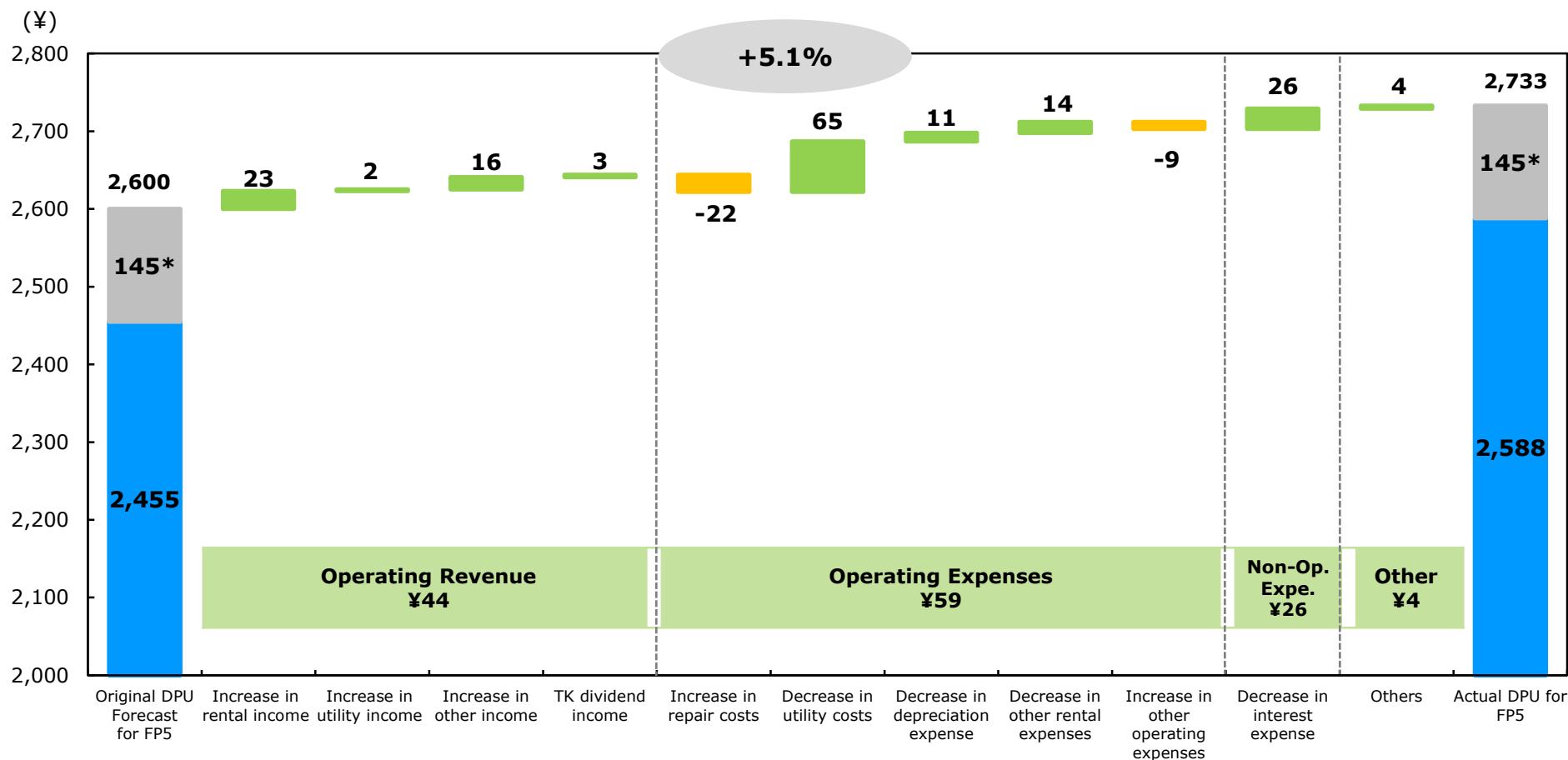
Earnings Variance from Original Forecast (¥ mm)	
<b>Operating Revenues</b>	
Occupancy improvements	+19
Increase in other rental revenues	+16
<b>Operating Revenues</b>	<b>+35</b>
<b>Operating Income</b>	
Increase in repair costs	-18
Decrease in utility expense	+53
Decrease in depreciation expense	+11
Decrease in other operating expenses	+2
<b>Operating Income</b>	<b>+83</b>
<b>Ordinary Income</b>	
Decrease in non-operating expenses	+21
<b>Ordinary Income</b>	<b>+104</b>
<b>Net Income</b>	<b>+105</b>

# Drivers of DPU Increase



## Difference between DPU Forecast and Actual Results for the 5th Fiscal Period

- 5th Fiscal Period DPU settled at ¥ 2,733, 5.1% higher than the original forecast of ¥ 2,600 as shown in our financial results announcement for the 4th Fiscal Period



DPU for the 5th Fiscal Period ended October 31, 2016

\* Fixed tax effects.

# Continued earnings growth projected

Financial Forecasts for the 6th Fiscal Period (ending April 30, 2017)



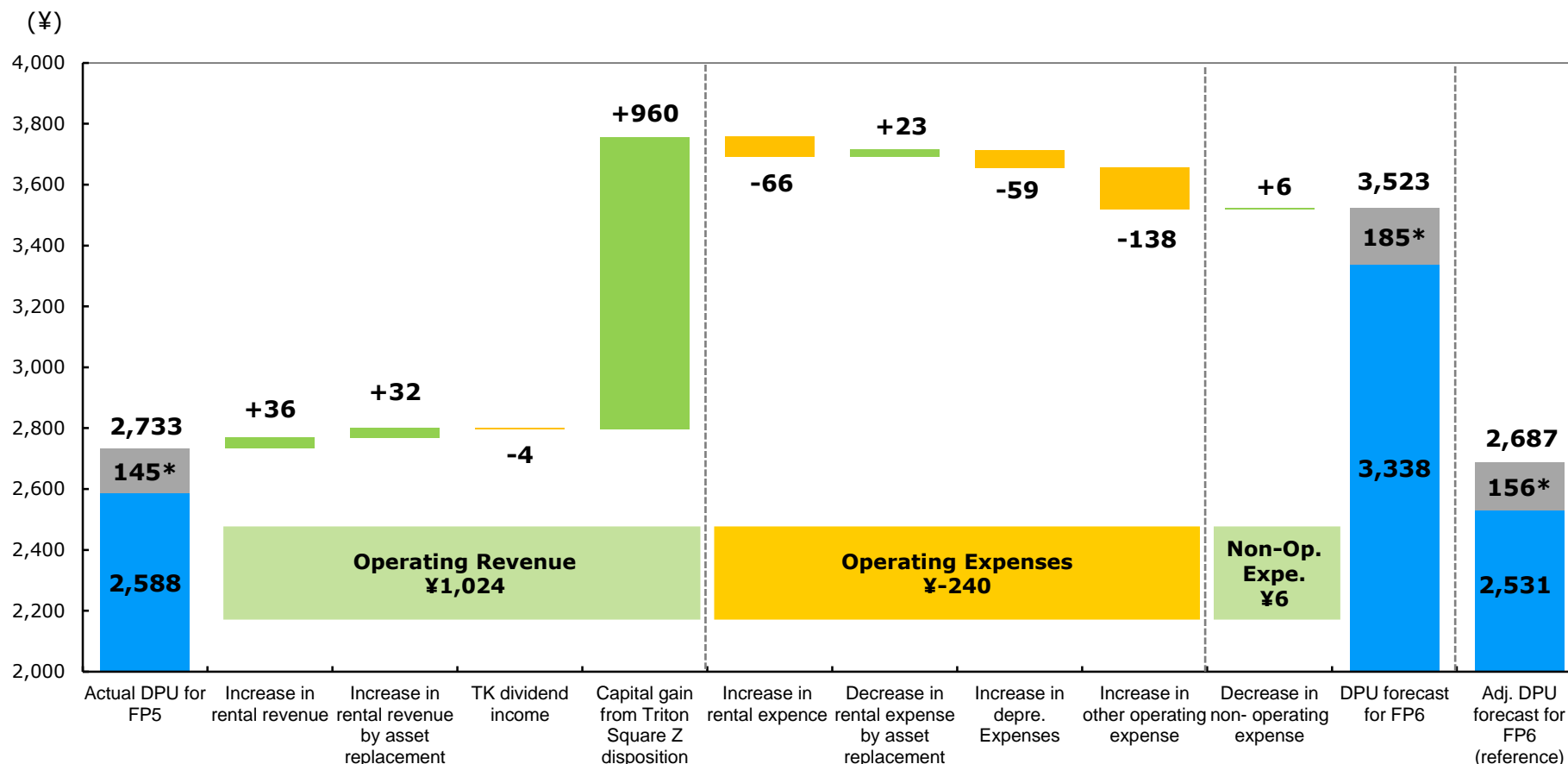
	5th Fiscal Period Ended Oct. 31, 2016	6th Fiscal Period Ending April 30, 2017		Analysis of Earnings Variance (¥ mm)	
	Actual (A)	Forecast (B) (As of Dec. 15, 2016)	(B)-(A)		
(¥ mm)					
Operating Revenues	5,684	6,519	835	<b>Operating Revenues</b>	
				Increase in rental revenue for existing 12 assets	+30
				Increase in rental revenue by asset replacement	+26
				Capital gain from Triton Square Z disposition	+783
				Decrease in other rental revenue	-4
				<b>Operating Revenues</b>	<b>+835</b>
Operating Income	2,597	3,236	639	<b>Operating Income</b>	
				Increase in rental expense for existing 12 assets	-53
				Decrease in rental expense by asset replacement	+18
				Increase in depreciation cost for new 5 assets	-48
				Increase in AM fee due to new acquisition	-62
				Increase in Inv. Corporation related costs	-51
				<b>Operating Income</b>	<b>+639</b>
Ordinary Income	2,230	2,873	643	<b>Ordinary Income</b>	
				Increase in interest expense due to new borrowing for asset acquisition	-20
				Increase in PO costs	24
				<b>Ordinary Income</b>	<b>+643</b>
Net Income	2,229	2,872	643	<b>Net Income</b>	
					<b>+643</b>
Units Issued & Outstanding	815,547	815,547	0		
DPU (¥)	2,733	3,523	790		

# Drivers of DPU Increase

## 5th Fiscal Period Actual vs. 6th Fiscal Period Forecast



- Increase DPU by both external and internal growth (offsetting other decreasing factors)



**DPU Forecast for the 6th Fiscal Period ending April 30, 2017**

\* Fixed tax effects.

# 3. Portfolio Summary



# Portfolio Summary

(As of the end of October, 2016)



## Highlights (13 properties)

Purchase Price

**¥154.2 billion**

Appraisal Value (Note 1)

**¥171.2 billion**

Average Occupancy Rate

**98.6%**

Average NOI Yield (Note 2)

**5.0%**

Average Purchase Price

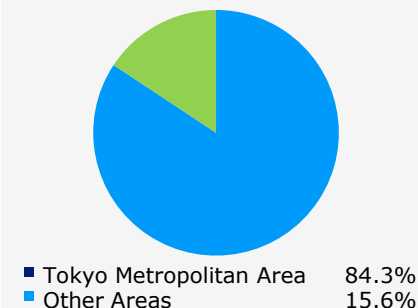
**¥11.8 billion**

Average Total Floor Area (Note 3)

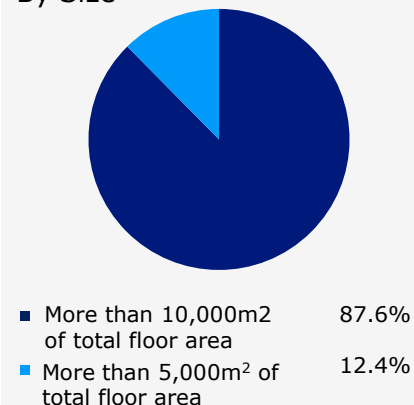
**85,531 m<sup>2</sup>**

## Characteristics (Note 4)

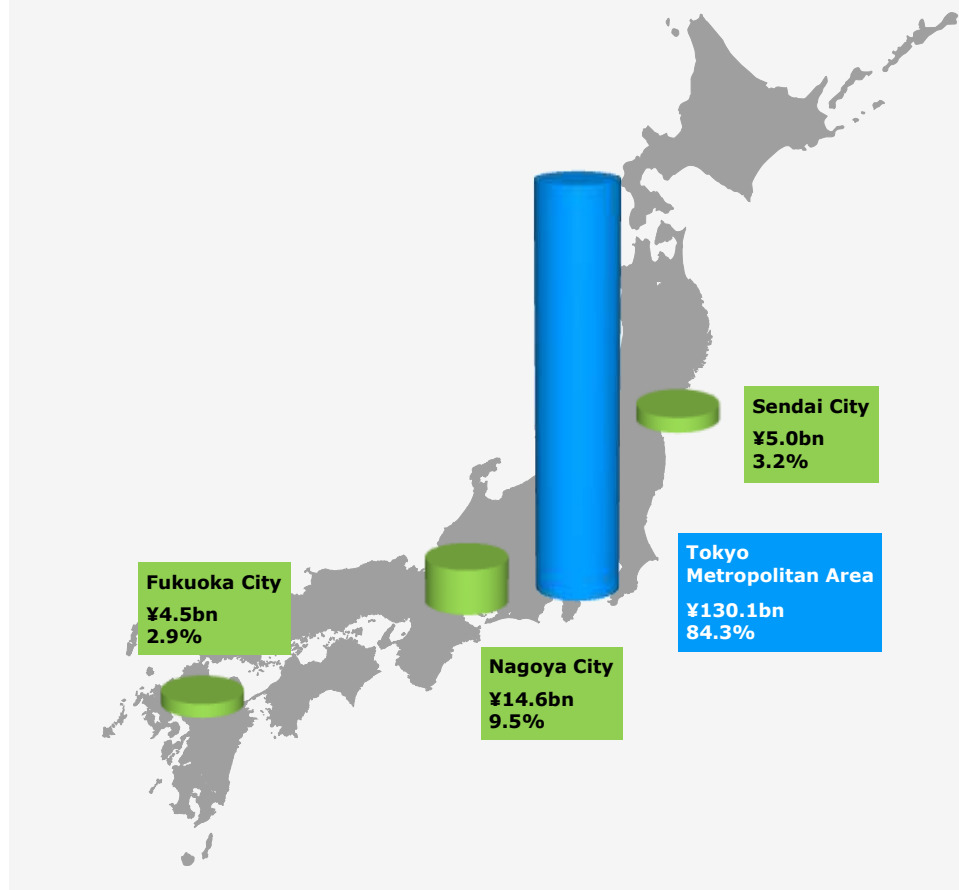
By Geography



By Size



## Investment ratio by Geography



(Note 1) The figure includes appraisal value for the 13 holding assets as of the end of FP5.

(Note 2) The ratio is calculated by the following formula and rounded to the nearest one decimal place. (NOI during the fiscal period / operating days during the 5th fiscal period \*365 days) / total purchase price of the portfolio as of the end of FP5.

(Note 3) The figure includes total floor area of the managed properties other than portion of IOJ's interest.









(Note 4) The ratio is calculated based on the purchase price.

# Portfolio Summary

(As of the end of October, 2016)



- Since the listing, IOJ has built a high quality portfolio of large-scale properties

	IPO					1st Follow-on	Acquired by Debt	
Property Name	Ebisu Prime Square	Harumi Island Triton Square Office Tower Z	CS Tower/ CS Tower Annex	Queens Square Yokohama	Nagoya Prime Central Tower	Tokyo Nissan Nishi-Gotanda Building	ORTO Yokohama	Nishi-Shinjuku KF Building
Pictures								
Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area	Other Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area
Address	Shibuya-ku, Tokyo	Chuo-ku, Tokyo	Taito-ku, Tokyo	Yokohama-city, Kanagawa	Nagoya-city, Aichi	Shinagawa-ku, Tokyo	Yokohama-city, Kanagawa	Shinjuku-ku, Tokyo
Purchase Price	¥ 25,014 mm	¥ 9,300 mm	¥ 13,700 mm	¥ 16,034 mm	¥ 14,600 mm	¥ 6,700 mm	¥ 13,000 mm	¥ 6,600 mm
Appraisal Value	¥ 27,538 mm	¥ 10,900 mm	¥ 15,700 mm	¥ 17,800 mm	¥ 18,000 mm	¥ 7,290 mm	¥ 14,400 mm	¥ 7,020 mm
Book Value	¥ 25,373 mm	¥ 9,203 mm	¥ 13,861 mm	¥ 15,923 mm	¥ 14,512 mm	¥ 6,901 mm	¥ 13,052 mm	¥ 6,837 mm
Unrealized Gain <sup>(Note1)</sup>	¥ 2,164 mm	¥ 1,696 mm	¥ 1,838 mm	¥ 1,876 mm	¥ 3,487 mm	¥ 388 mm	¥ 1,347 mm	¥ 182 mm
NOI Yield <sup>(Note2)</sup>	4.1%	4.5%	5.8%	6.3%	5.8%	5.1%	5.5%	3.9%
Purchase Date	June 6, 2014	June 6, 2014	June 6, 2014	Sept. 30, 2014	June 6, 2014	May 11, 2015	June 1, 2015	June 30, 2015
GFA	67,581.00㎡	267,132.67㎡	32,996.92㎡	498,282.77㎡	59,602.89㎡	21,404.84㎡	57,261.81㎡	9,828.37㎡
Property Characteristics	A large sized complex building consisting of high-rise office, retail and residential buildings. Equipped with excellent facilities located in central Tokyo area.	Large sized high rise office building having one of the largest leasable areas among office buildings in Tokyo. Located in part of "Harumi Triton Square".	The location is high level of traffic convenience and visibility. Having one of the largest leasable areas in this area in which small-scale office buildings are located.	An iconic large sized complex property named "Queens Square Yokohama" consisting of office, retail and hotel properties in Yokohama.	Recently constructed high-rise office building with 23 stories located in central Nagoya. Equipped with high-level facilities and air-conditioning system.	Large sized office building built in 1990 but its common areas were upgraded in 2010. Located in Tokyo 23 wards with convenient access to transportation and visibility.	Having one of the largest standard floor areas in buildings located in Yokohama. Equipped with cogeneration system which provides tenants with self-generated electricity.	Excellent access to Shinjuku Station which provides good access to transportation. This asset boasts a quite large standard floor area for a building in the district known for having a high concentration of large-sized offices.



# Portfolio Summary

(As of the end of October, 2016)



- Portfolio size increased to ¥ 154.2 billion and all properties were acquired from third parties
- Mitigated tenancy concentration risk by growing asset size

Offering Type	Launch Date	Pricing Date	Offering Size	Main purpose of the use	Asset Size Growth
Domestic offering	16-May-16	24-May-16	¥ 25.0bn <sup>(Note1)</sup>	Acquisition of 5 properties (¥49,259mm)	47% (¥104.9bn to ¥154.2bn)

2nd Follow-on					
Property Name	Shinagawa Seaside East Tower	Akiba CO Building	Sun Towers Center Building	Sendai Honcho Building	Hakata Prime East
Pictures					
Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area	Tokyo Metropolitan Area	Other Area	Other Area
Address	Shinagawa-ku, Tokyo	Chiyoda-ku, Tokyo	Setagaya-ku, Tokyo	Sendai-shi, Miyagi	Fukuoka-shi, Fukuoka
Purchase Price	¥ 25,066 mm	¥ 8,078 mm	¥ 6,615 mm	¥ 5,000 mm	¥ 4,500 mm
Appraisal Value	¥ 26,600 mm	¥ 9,150 mm	¥ 7,070 mm	¥ 5,200 mm	¥ 4,610 mm
Book Value	¥ 25,334 mm	¥ 8,325 mm	¥ 6,699 mm	¥ 5,225 mm	¥ 4,548 mm
Unrealized Gain <sup>(Note2)</sup>	¥ 1,265 mm	¥ 824 mm	¥ 370 mm	¥ -25 mm	¥ 61 mm
NOI Yield <sup>(Note3)</sup>	4.6%	4.0%	4.4%	4.9%	5.0%
Purchase Date	June 1, 2016	June 1, 2016	June 1, 2016	June 1, 2016	June 1, 2016
Closest Station	1 minute walk from Shinagawa Sea Side Sta.	1 min. walk from Suehiro-cho Sta. /7 minutes walk from Akihabara Sta.	3 mins walk from Sangenjaya Sta. /4 mins walk from Sangenjaya Sta.	1 min. walk from Hirose-dori Sta.	5 mins walk from Hakata Sta./ 6 mins walk from Hakata Sta.
GFA	43,014.06㎡	6,957.74㎡	25,577.35㎡	13,049.82㎡	9,213.20㎡
Property Characteristics	High-spec office building with hotel facility, located in the middle of Tokyo central area and Haneda Airport.	Office building located in "Akihabara", business and commercial area, with convenient access to transportation.	Large-sized office building located at area brand "Sancha", available to attract office needs in Shibuya, one of the major down towns in Tokyo.	Office building located in central Sendai, with convenient access to transportation and visibility.	Office building with favorable location in central Fukuoka, with convenient access to transportation.

(Note1) Total paid-in capital amount issued through public offering and third party allocation.

(Note2) Unrealized gains are calculated from the difference between book value and appraisal value at the end of 5th fiscal period.

(Note3) The ratio is calculated by the following formula : annualized actual NOI during the FP5 / purchase price.

## 4. Portfolio Enhancement Strategy



- Replacing Triton Square Z with Kinshicho Prime Tower delivers the following positive results <sup>(Note1)</sup> :

1. Reduced uncertainty regarding the risk of major tenants moving out
  - Disposing of Triton Square Z has removed any uncertainty associated with the vacancy risk of Sumitomo Corporation's subsidiary companies.
2. Realized capital gain
  - The estimated DPU for the 6th fiscal period is expected to increase to ¥3,523 <sup>(Note2)</sup> as a result of replacing the assets and realizing profit from the Triton Square Z disposition.
3. Improved profitability
  - Estimated DPU amount (after adjustment) <sup>(Note 3)</sup> for the 6th fiscal period, which is based on the assumption that the transaction occurred in the beginning of the 6th fiscal period and excludes the profit from the disposition of Triton Square Z, is expected to be ¥2,687, approximately 4.5% up from ¥2,572 <sup>(Note 3)</sup>, which is calculated based on the assumption that there is no transaction.
4. Enhanced tenant diversification
  - After the transaction, the top 10 tenants ratio based on leased area is expected to be 38.6%, approximately 5.1 points down from the previous ratio of 43.7%.

(Note1) As of December 7, 2016, regarding the acquisition of Kinshicho Prime Tower, the asset management company determined to exercise the preferential negotiation right and has not been determined to acquire Kinshicho Prime Tower. There is no sale and purchase agreement signed either. The date of exercising preferential negotiation right is scheduled on December 16, 2016.

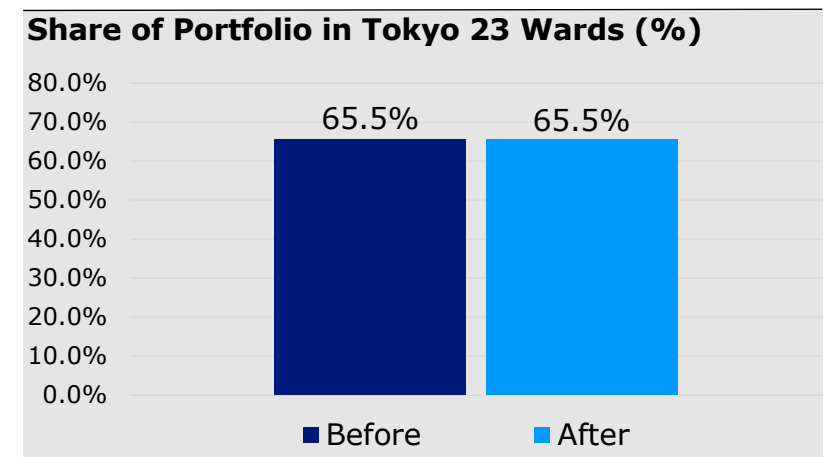
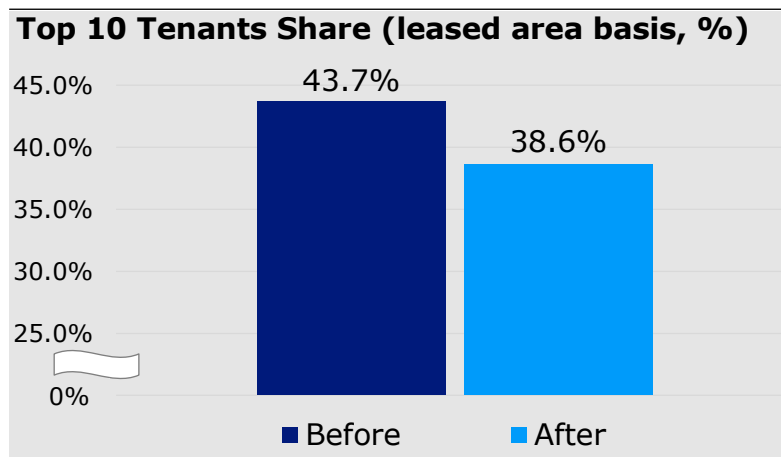
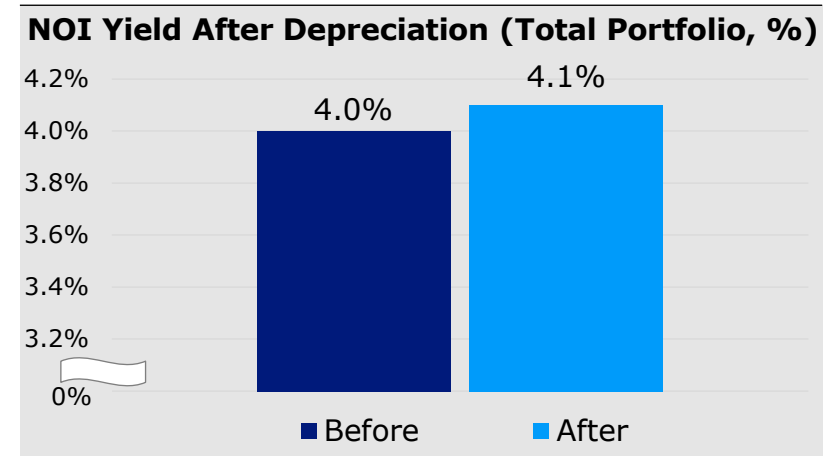
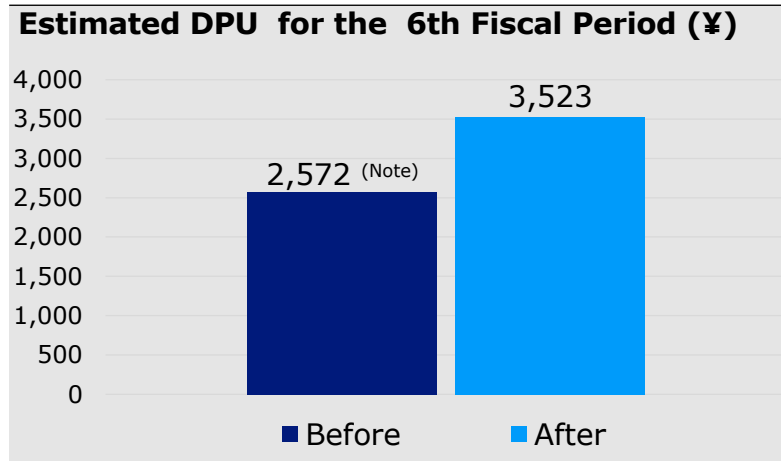
(Note2) For the details of estimated DPU for the 6th fiscal period, please refer to the press release "Notice Concerning the Forecasts of Investment Management Performance and the Estimated Distributions per Unit for the Fiscal Period Ending April 30, 2017 (6th period)" which is released on December 7, 2016.

(Note3) Each numbers mentioned herein are reference purpose only and they may differ from the actual estimated DPU.

# Impact of Portfolio Enhancement



- By conducting the transaction, Investment Corporation expects to realize an improvement in both the profitability and stability of its portfolio.



(Note) The estimated DPU for the 6th fiscal period is calculated on the assumption that there is no transaction and the Investment Corporation holds Triton Square Z for the full period. This number is for the reference purpose only and may differ from the actual estimated DPU.

# Portfolio Enhancement Strategy

## Property Overview of Triton Square Z and Kinshicho Prime Tower



### Kinshicho Prime Tower



#### Transaction Highlights

- The Investment Corporation announced that it would exercise the preferential negotiation right to acquire Kinshicho Prime Tower on December 7, 2016<sup>(Note1)</sup>.
- The acquisition is scheduled to be on January 20, 2017.
- 7 minutes walking distance from Kinshicho Station on JR line.
- Good access to central business district in Tokyo - 8 minutes to Tokyo station by the JR Sobu Express Line.
- High-rise office building with 17 stories above the ground with 1 basement and parking lot which accommodates 113 cars.
- Standard floor area of approximately 998sqm (approximately 302 tsubo) is regular shaped without pillars, provides flexible layout and shows high competitiveness in size.

#### Key Statistics

- Area: Tokyo 23-ward
- Location: Koto-ku, Tokyo
- Total Floor Area: 28,789.18sqm
- Ownership Structure: Ownership
- Scheduled Acquisition Price <sup>(Note2)</sup>: ¥15,145 million
- Appraisal Value <sup>(Note3)</sup>: ¥15,600 million

(Note1) As of December 7, 2016, the asset management company has not determined acquiring the asset or there is no sales and purchase agreement signed.

(Note2) The scheduled asset acquisition price may change in accordance with the negotiation with seller.

(Note3) The appraisal value mentioned herein is as of October 31, 2016.

### Harumi Triton Square Tower Z



#### Key Statistics

- Area: Tokyo 23-ward
- Location: Chuo-ku, Tokyo
- Total Floor Area: 267,132.67sqm
- Ownership Structure: Strata title (5.5 floors from 12F to 17F )
- Expected Book Value <sup>(Note 4)</sup>: ¥9,190 million
- Scheduled Disposition Price: ¥10,100 million
- Profit from Disposition <sup>(Note 5)</sup>: ¥783 million
- Expected Sale Closing : December 16, 2016

(Note4) Expected Book Value mentioned herein is the expected value as of the scheduled disposition date.

(Note5) The profit from disposition is the amount deducted the expected book value and disposition cost from the disposition price..



# Portfolio Enhancement Strategy

## Improved Portfolio Stability and Profitability due to the Transaction



- The transaction of disposing of Triton Square Z and acquiring Kinshicho Prime Tower has the effects of reducing tenant concentration risk and improving the profitability, stability and quality of the portfolio.

		Asset to Scheduled for Disposition/ Triton Square Z	Target Asset of Exercise of Right/ Kinshicho Prime Tower
<b>Profitability</b>	Purchase Price (Scheduled)	¥ 9,300 mm	↑ ¥ 15,145 mm
	NOI (Note1)	¥ 418 mm	↑ ¥ 714 mm
	NOI yield (Note2)	4.5 %	↑ 4.7 %
	NOI yield after depreciation (Note3)	3.6 %	↑ 4.3%
<b>Stability/ Quality</b>	Location	Tokyo Metropolitan Area	→ Tokyo Metropolitan Area
	Size (NRA)	11,076 sqm (owned portion)	↑ 17,606 sqm (owned portion)
	Building age	15 years	↓ 22 years
	Number of tenants	Single tenant	↑ Multi tenants (15 tenants)

(Note1) NOI of Triton Square Z mentioned herein is actual NOI of the fifth fiscal period and annualized by 365 days for Triton Square Z, and NOI of Kinshicho Prime Tower is calculated by the direct capitalization method which is stated in the appraisal report as of October 31, 2016.

(Note2) It is calculated that dividing NOI by purchase price (scheduled) and rounded to two decimal.

(Note3) It is calculated that dividing NOI after depreciation by purchase price (scheduled) and rounded to two decimal.

# Portfolio Enhancement Strategy

## Improved Portfolio Stability and Profitability due to the Transaction

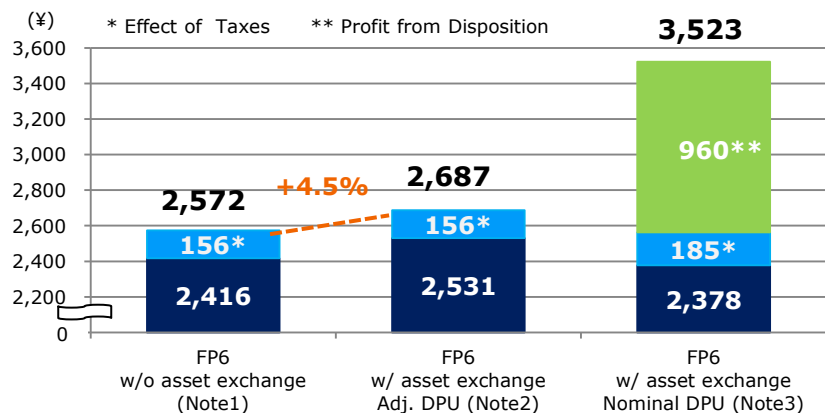


- After having considered the various options, the Portfolio Enhancement Strategy (Case1) is the most efficient way to improve both portfolio stability and profitability
- Estimated DPU amount (after adjustment) <sup>(Note2)</sup> for the 6th fiscal period is expected to be ¥2,687, approximately 4.5% up from the amount based on the assumption that there is no transaction

Chosen

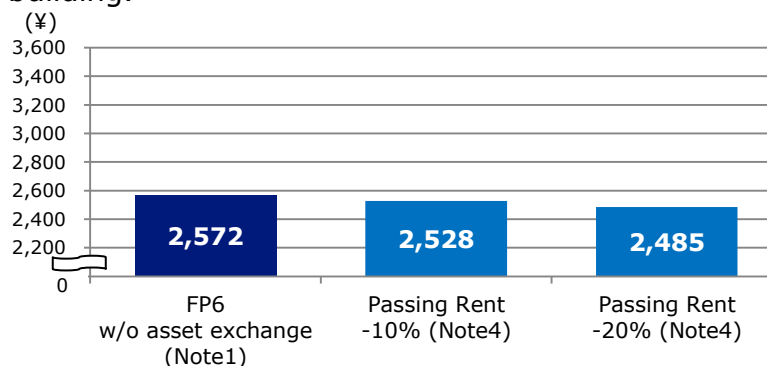
### Case 1: Asset Replacement

- Realizing capital gain
- Increasing DPU
- Eliminating uncertainty of large tenant vacancy risk at Triton Square Z
- Improving tenant diversification



### Case 2: Continuing to hold

- Tenant vacancy risk remains.
- As the reported relocation schedule of Sumitomo Corporation's head office is anticipated to occur at the same time as a large office space supply cycle, there is a high possibility of rent level decreases within the building.



\* The graph mentioned above is based on the assumption that rent decrease occurs in the beginning of the 6th fiscal period and indicates the impact on DPU from the rent decrease mentioned above. This is for the purpose of reference only.

## Minimizing the leasing risks of the portfolio and further growing the portfolio at the same time

- (Note1) The estimated DPU for the 6th fiscal period is calculated on the assumption that there is no transaction and the Investment Corporation holds Triton Square Z for the full period. This number is for the reference purpose only and may differ from the actual estimated DPU.
- (Note2) The estimated DPU for the 6th fiscal period is calculated on the assumption that the Investment Corporation holds Kinshicho Prime Tower for the full period and exclude the rental revenue from Triton Square Z. Each numbers mentioned herein are reference purpose only and they may differ from the actual estimated DPU.
- (Note3) For the details of estimated DPU for the 6th fiscal period, please refer to the press release "Notice Concerning the Forecasts of Investment Management Performance and the Estimated Distributions per Unit for the Fiscal Period Ending April 30, 2017 (6th period)" which is released on December 7, 2016.
- (Note4) The estimated DPU for the 6th fiscal period is calculated on the assumption that rent level of Triton Square Z is reduced by 10%/20% in the beginning of the 6th fiscal period. Each numbers mentioned herein are reference purpose only and they may differ from the actual estimated DPU.

# 5. Change to Portfolio Composition Policy





# Change in Investment Strategy (Note)

## Meaning and Purpose



### 1 Increases the opportunity for portfolio growth

- While maintaining a focus on office investment, selective investment in a broader range of asset types enhances IOJ's opportunities for continued growth.
- Enables appropriate growth when different asset types are at different stages in their market cycle.

### 2 Enhances Portfolio Diversification by Assets and Tenants

- Broadening the type of investable assets maximizes the use of Invesco's real estate network.
- Promotes risk mitigation by increasing the portfolio's exposure to a larger range of properties and tenants.

### 3 Provides Diversity of Income

- Combing assets with different cash flow characteristics enhances the diversity of income and reduces the income volatility.

(Note) For the details of changes in investment policy, please refer to the press release "Notice Concerning Amendments to the Articles of Incorporation and Election of Directors" and "Notice Concerning Change of Asset Management Guideline of the Asset Management Company" which were released on December 15, 2016. As it is mentioned in these press releases, changes in the Articles of Incorporation and the asset management guideline regarding changes in investment policy is to be effective on condition that the resolution regarding changes in the Articles of Incorporation is passed at the Third General Meeting of Unitholders scheduled to take place on January 31, 2017.

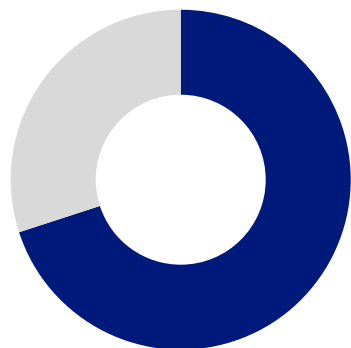
# Portfolio Composition Policy



## Expanding Investable Assets by Type but Remaining Metropolitan Area Focus

- By making maximum use of sourcing capability of Invesco Global Real Estate Asia Pacific Inc. (“IGRE”), IOJ plans to expand its investable assets to various assets other than large-scale office buildings
- In the new portfolio composition policy, IOJ’s main investment target remains in large-scale office buildings located in major metropolitan areas

### Large-Scale Offices



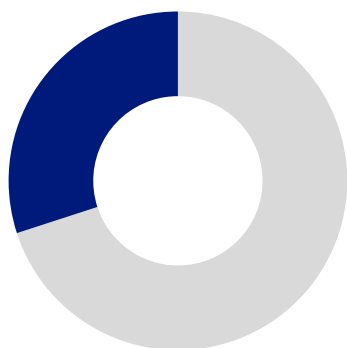
Investment Ratio

**70%** (Note)

or more of total investments

- IOJ retains its focus on investing in high quality large-scale offices (in Tokyo area, and other major metropolitan areas) to:
  - ✓ Benefit from rent increases in an economic recovery phase in the office sector.
  - ✓ Provide high levels of liquidity.
  - ✓ Leverage Invesco’s extensive investment track record in the real estate market.

### Others (Mainly Urban Retail Facilities)



Investment Ratio

**30%** (Note)

or less of total investments

- IOJ invests in smaller scale other assets by utilizing Invesco Group’s expertise – benefits include:
  - ✓ Flexibility to pursue other investment opportunities in middle sized offices, retail facilities, residential, logistics and hotel properties.
  - ✓ Retail facilities and hotel properties are expected to contribute increased revenue given the expanding domestic and inbound tourists demand.
  - ✓ Residential investment provides stable cash flows.

# Portfolio Composition Policy

## Criteria (Building Size Guideline) and Geographical Allocation



- Portfolio diversification depending on asset attribution, characteristics of profitability <sup>(Note1)</sup> and geographical diversification

### Large-Scale Offices : Investment ratio <sup>(Note2)</sup> **70% or more**

#### Focus on Metropolitan Areas

Investment Area	Investment Ratio <sup>(Note2)</sup>	Building Size Guideline <sup>(Note3)</sup>
<b>Tokyo Metropolitan Areas</b> <sup>(Note4)</sup>	<b>70%</b> or more	<ul style="list-style-type: none"> <li>■ Total floor area of 10,000 m<sup>2</sup> or more</li> <li>■ Typical exclusive floor area of 600 m<sup>2</sup> or more</li> </ul>
<b>Other Areas</b>	<b>30%</b> or less	<ul style="list-style-type: none"> <li>■ Total floor area of 7,000 m<sup>2</sup> or more</li> <li>■ Typical exclusive floor area of 400 m<sup>2</sup> or more</li> </ul>

### Others (Mainly Urban Retail Facilities): Investment ratio <sup>(Note2)</sup> **30% or less**

Making rigorously selected investment in quality assets which are expected to improve the profitability and stability of the portfolio located in metropolitan areas, ordinance-designated cities, other major cities and their surrounding areas in Japan. Asset size of each investable target asset is measured by comprehensively considering location (including the expectancy of the area), size of trading area and standard size in line with the business category.

(Note1) Characteristics of profitability indicates the range of initial expected yield and the volume of expected internal growth.

(Note2) The investment ratio is based on the purchase price. Also, the investment ratio could temporarily deviate from the above limits as a result of purchases or sales of assets.

(Note3) The size of one property shall not exceed 50% of the portfolio.

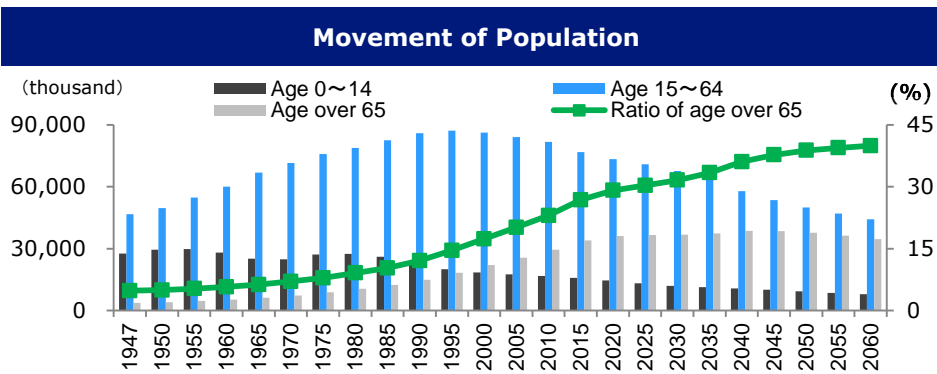
(Note4) Tokyo, Yokohama City, Kawasaki City, Saitama City and Chiba City.

# Aims of Investment in Urban Retail Properties

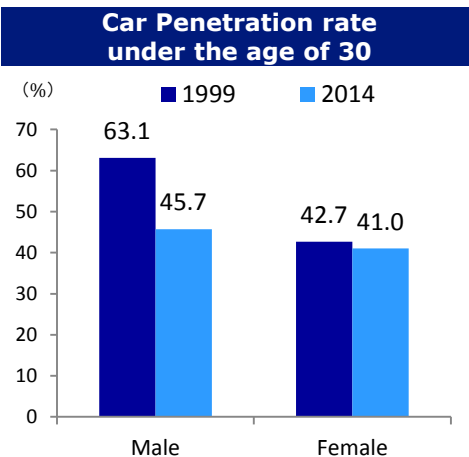


## ■ Ageing Population and Demand Shift to Urban Retail Properties

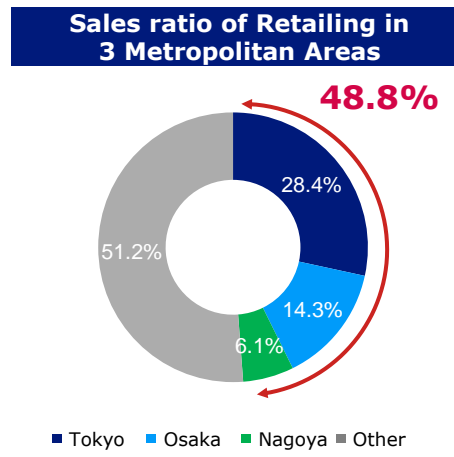
- ✓ Japan's ageing population and the concentration of the population in metropolitan areas is projected to accelerate.
- ✓ The declining car penetration rate under the age of 30 and the well-developed train network in the metropolitan areas of Japan, is increasing the demand for urban retail shopping.



Source: National Institute of Population and Social Security Research



Source: National Survey of Family Income and Expenditure in 2014, Ministry of Internal Affairs and Communications



Source: Statistics Bureau, Ministry of Internal Affairs and Communications

## ■ Leveraging Invesco's significant Retail Property Management Experience

- ✓ Strategy benefits from Invesco's existing track record and experience in retail management and investment.

### Major Urban Retail Properties which Invesco Group Managed (Note)



(Note) Properties mentioned above were managed by IGRE in the past. As of December 15, 2016, IOJ has no plan to acquire these properties.

# 6. Strategic Overview



- 1** Remain shareholder focused
- 2** Disciplined acquisitions
- 3** Intensive asset management
- 4** Maintain financial stability and flexibility

# Remain Shareholder Focused

Value Creation Philosophy: Focus on high quality assets to drive long-term growth



## External Growth

- Focus on the best long term markets
- Acquire quality assets utilizing Invesco Real Estate's expertise and relationships among local partners
- Utilize bridge funds to maximize growth opportunities

## Internal Growth

- Identify market cycles
- Seek further improvements in occupancy and rental growth
- Maintain and improve asset competitiveness through strategic capital expenditures

## Financing Strategy

- Prudent financial management
- Target LTV between 40% and 50%
- Financial stability by diversified loan maturities
- Equity finance/debt finance/bridge funds/optimal financing strategies for acquisitions

# Disciplined Acquisitions

## Excellent Sourcing Capability

Growth Strategy

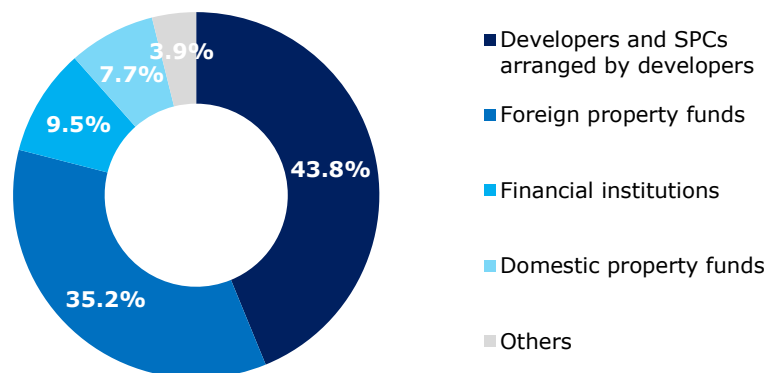
External Growth

Internal Growth

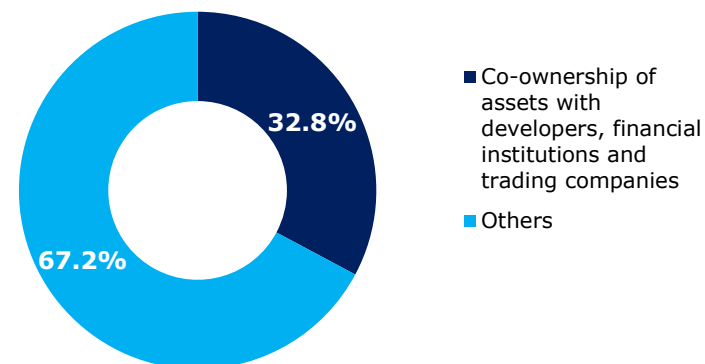


- Acquired 5 assets through PO sourced through closed-bids
- Utilized bridge SPC scheme to maximize acquisition opportunities

### Diversity of Investment Sourcing <sup>(Note1)</sup>



### Flexible Ownership Structure <sup>(Note1)</sup>



### IGRE's Sourcing & Acquisition Track Record

#### Sourcing Capability

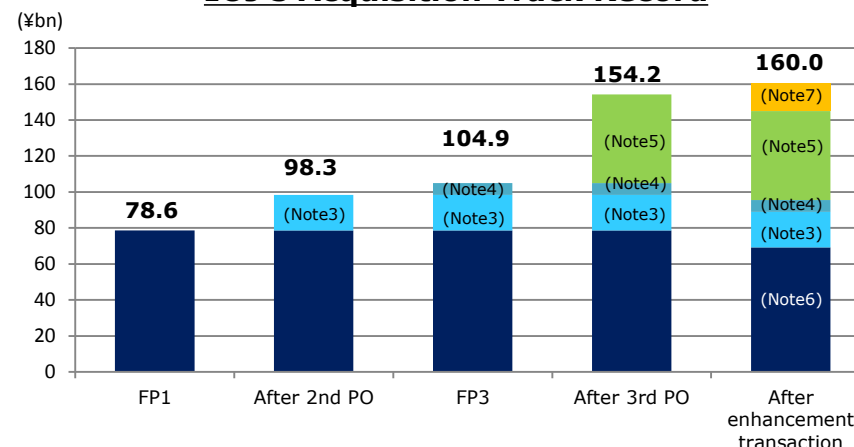
- Procured information on 1,000 acquisition opportunities per annum (on average) over the past 17 years

#### IGRE Acquisition Track Record (As of Dec. 1, 2016)

- Cumulative investment amount of approximately ¥1.1trillion or 120 properties <sup>(Note2)</sup>
- Approximately 72% of the investments (total purchase price basis) were in large-scale office buildings
- Current AUM is approximately ¥368 billion

(Note1) As of December 1, 2016. Includes information on assets to be disposed and acquired .  
 (Note2) Figures above include assets that were managed by IGRE prior to the Invesco Group's acquisition of IGRE from American International Group (AIG) in December 2010 and that IGRE continued to manage following its acquisition by the Invesco Group.

### IOJ's Acquisition Track Record



(Note3) Newly acquired 2 assets at the second PO , amount of ¥19.7 bn.  
 (Note4) An asset acquired by full debt in FP3, amount of ¥6.6 bn.  
 (Note5) Newly acquired 5 assets at the third PO, amount of ¥49.2 bn.  
 (Note6) Deducted ¥9.3 bn (book value of the disposed asset) due to an asset disposition.  
 (Note7) New asset acquisition, amount of ¥15.145 bn (scheduled).



# Disciplined Acquisitions

## Contribution of acquisitions to growth targets

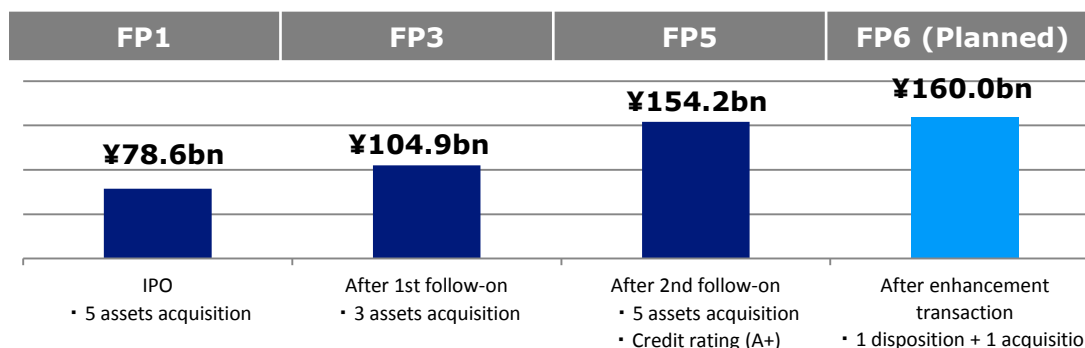
Growth Strategy

External Growth

Internal Growth



- Aim to expand IOJ to over JPY200bn in AUM as soon as possible, continuing to acquire assets contributing the enhancement of investment value
- Focus on long-term DPU accretion and mitigating tenant concentration risk by AUM growth



### Mid Term/ Long Term Target

- AUM: ¥300-400bn
- Profitability: Focus on long-term DPU accretion
- Stability: Top 5 tenants ratio below 10%
- Market position: Global index inclusion

		FP1	FP3	FP5	After enhancement transaction
<b>Profitability</b>	AUM (¥bn)	78.6	104.9	154.2	160.0
	NOI yield	4.9%	4.9%	5.0%	5.0%
	NOI yield after depreciation	3.8%	3.9%	4.0%	4.1%
	DPU (¥)	1,005	2,575	2,733	3,523
	NAV (¥)	101,929	116,785	115,742	-
<b>Stability/ Quality</b>	No. of assets	5	8	13	13
	No. of tenants	243	299	384	398
	Top 5 tenant ratio	42.5%	37.2%	28.1%	25.5%
Number of investors		12,322	15,708	24,826	
Average transaction volume (unit/day)		5,195	2,816	4,981	

# Intensive Asset Management

## Leasing Achievements & Occupancy

Growth Strategy

External Growth

Internal Growth



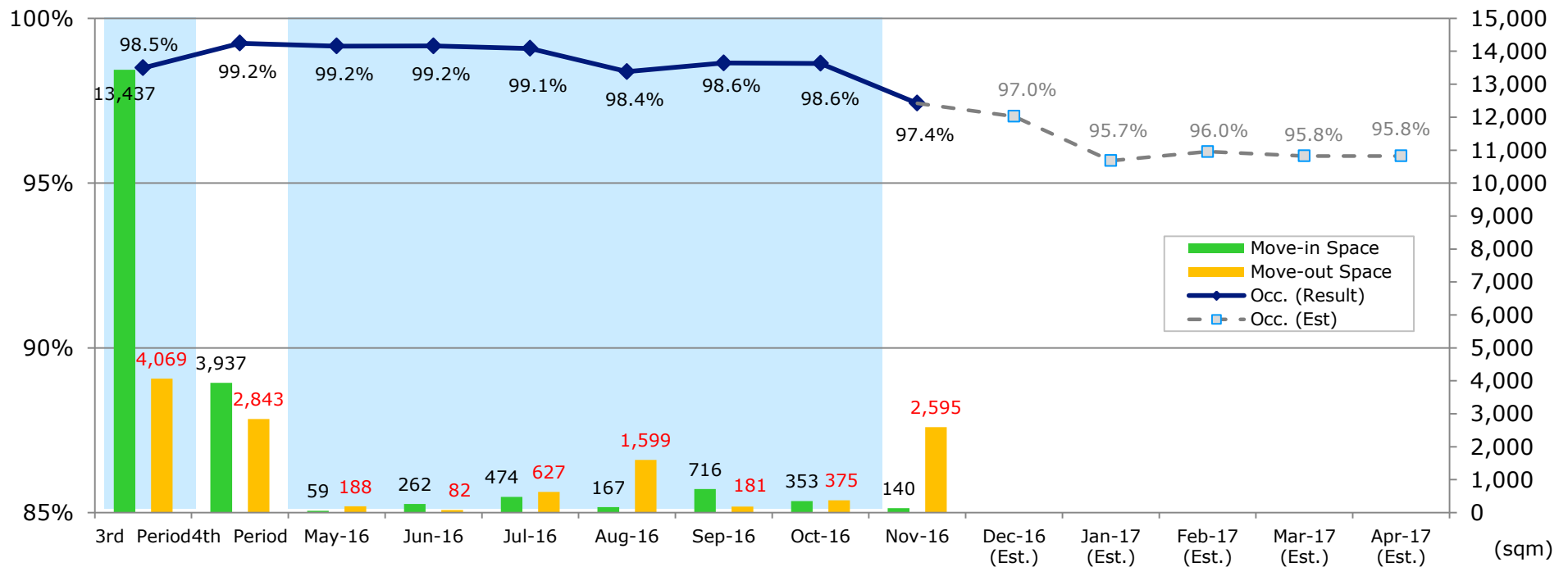
- Average occupancy rate improved to 98.8% in the 5th Fiscal Period by consistent leasing activities

### Leasing achievements and occupancy outlook (5th Fiscal Period)

- Reached 98.6% of average portfolio occupancy rate in the 5th fiscal period due to successful leasing for existing tenants as well as additional income contribution from newly acquired assets.
- Achieved high occupancy by commencing new leases at Ebisu Prime Square, ORT Yokohama and Sendai Honcho Building.

### Leasing policy and occupancy rate estimates (6th Fiscal Period)

- Focusing on leasing activities at Ebisu Prime Square and Sendai Honcho Building.
- The average occupancy forecast in the 6th Fiscal Period is expected to drop to 96.3% due to the cancellation of major tenants in Ebisu Prime Square and Nagoya Prime Central Tower.



### Portfolio Average Occupancy Rate during Fiscal Period

96.2%  
in 3rd

98.4%  
in 4th

98.8% in 5th Fiscal Period

96.3% in 6th Fiscal Period (Forecast)

# Intensive Asset Management

## Lease Renewal Summary

Growth Strategy

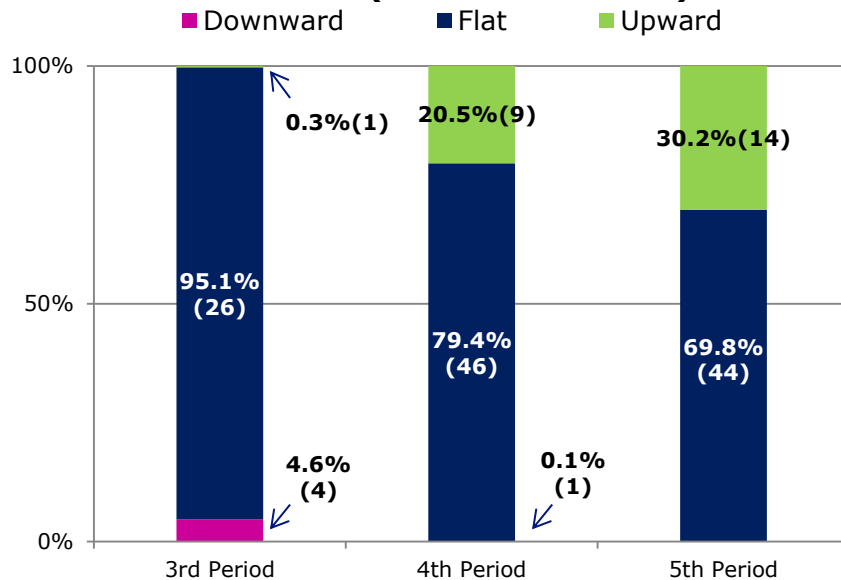
External Growth

Internal Growth



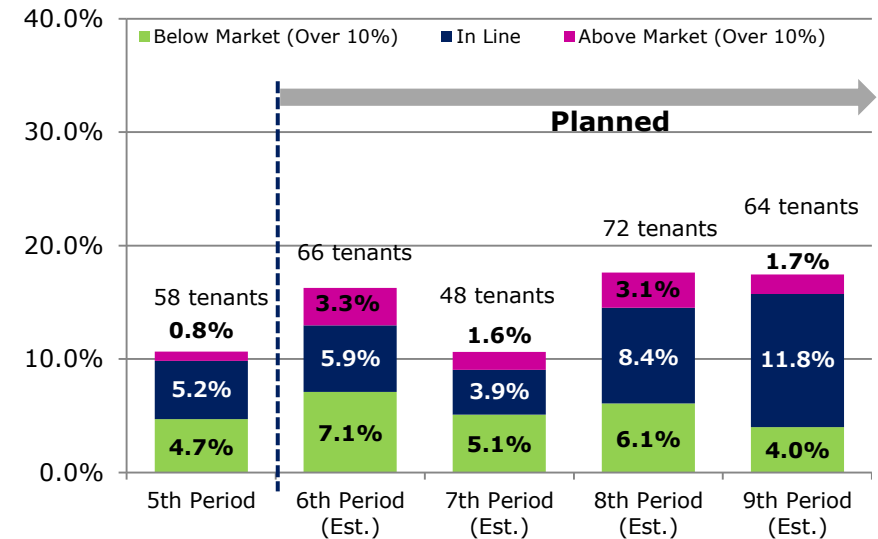
- Renewed 58 contracts in the 5th Period of which 14 contracts (30.2%) were renewed with upward revisions
- For the 6th Period, more lease have passing rent below market or in-line with market than above market providing potential for further upward rental revisions

### Lease Renewal Status (Leased Area Basis)



\* The figures in the parentheses are the number of contracts.

### Lease Renewal (Leased Area Basis) (%)



(Note) Percentage figures and number of tenants above represent the percentage or number of lease contracts renewed or to be renewed for office space to total office contracted space. In addition, it shows the difference between in-place rents and market rents. Market rents above represent contracted rent for a typical floor of assets managed by IOJ evaluated by CBRE

### Summary of positive rent revision in the 5th Fiscal Period

Improved by	Subject area (sqm)	Share % of Portfolio
6.2% (in Average)	4,866.81	3.2%

# Intensive Asset Management

## Average Rent Summary

Growth Strategy

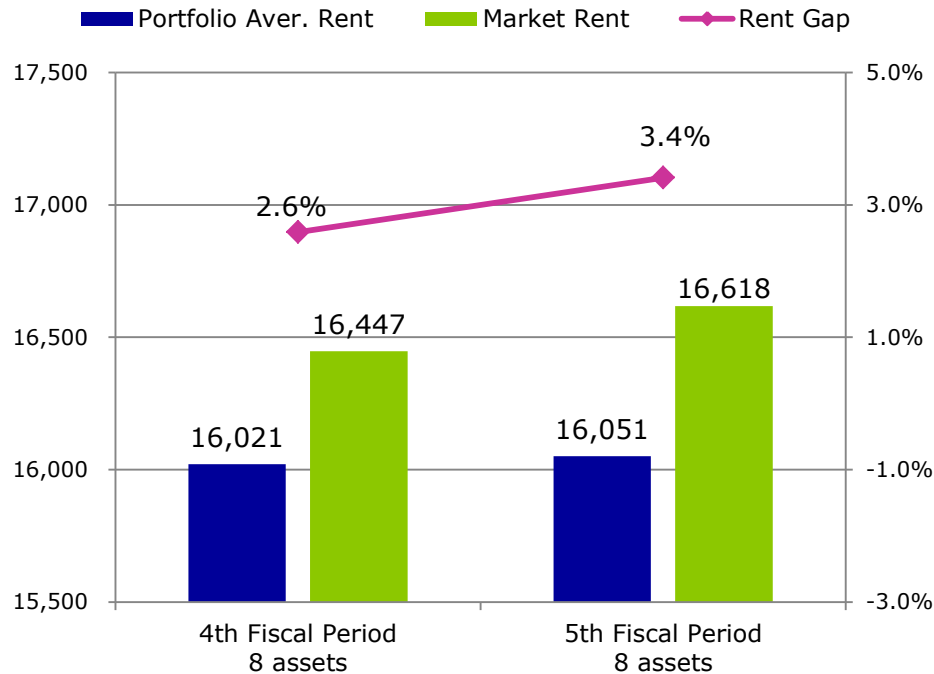
External Growth

Internal Growth

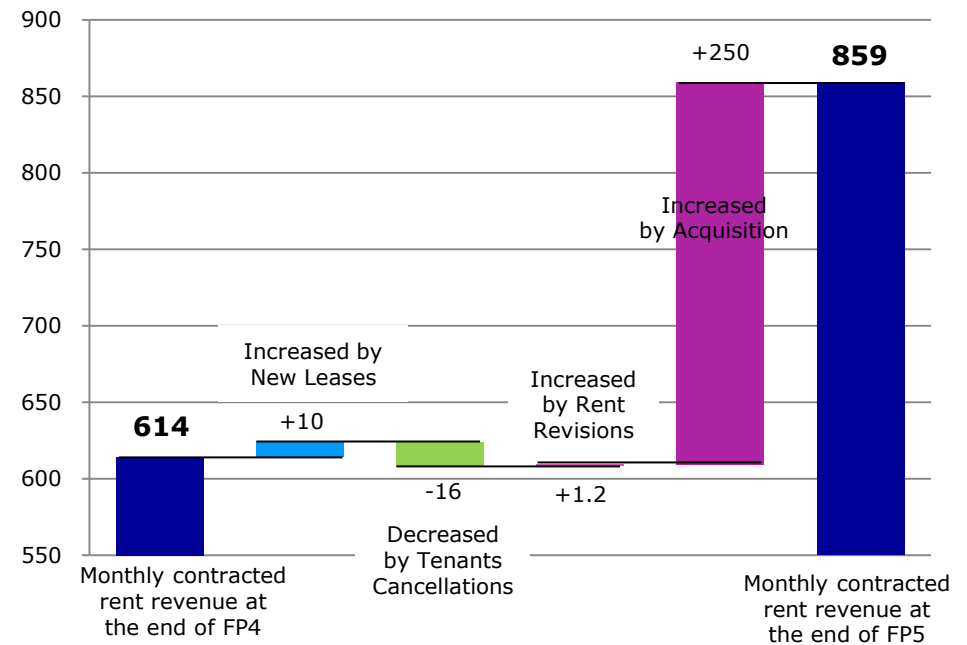


- Rent gap of the portfolio was 2.1% at the end of 5th fiscal period (market rents > portfolio average rents) providing further potential for internal rental growth

**Average Rents for the 8 assets (¥/tsubo)** (Note 1)



**Attribution Analysis/Monthly Contract Rent (¥ mm)**



**Portfolio Average Rent at the end of the 5th Fiscal Period (13 asset basis)**

Existing Rents (average)	Market Rents	Rent Gap
¥15,540/tsubo	¥15,872/tsubo	2.1%

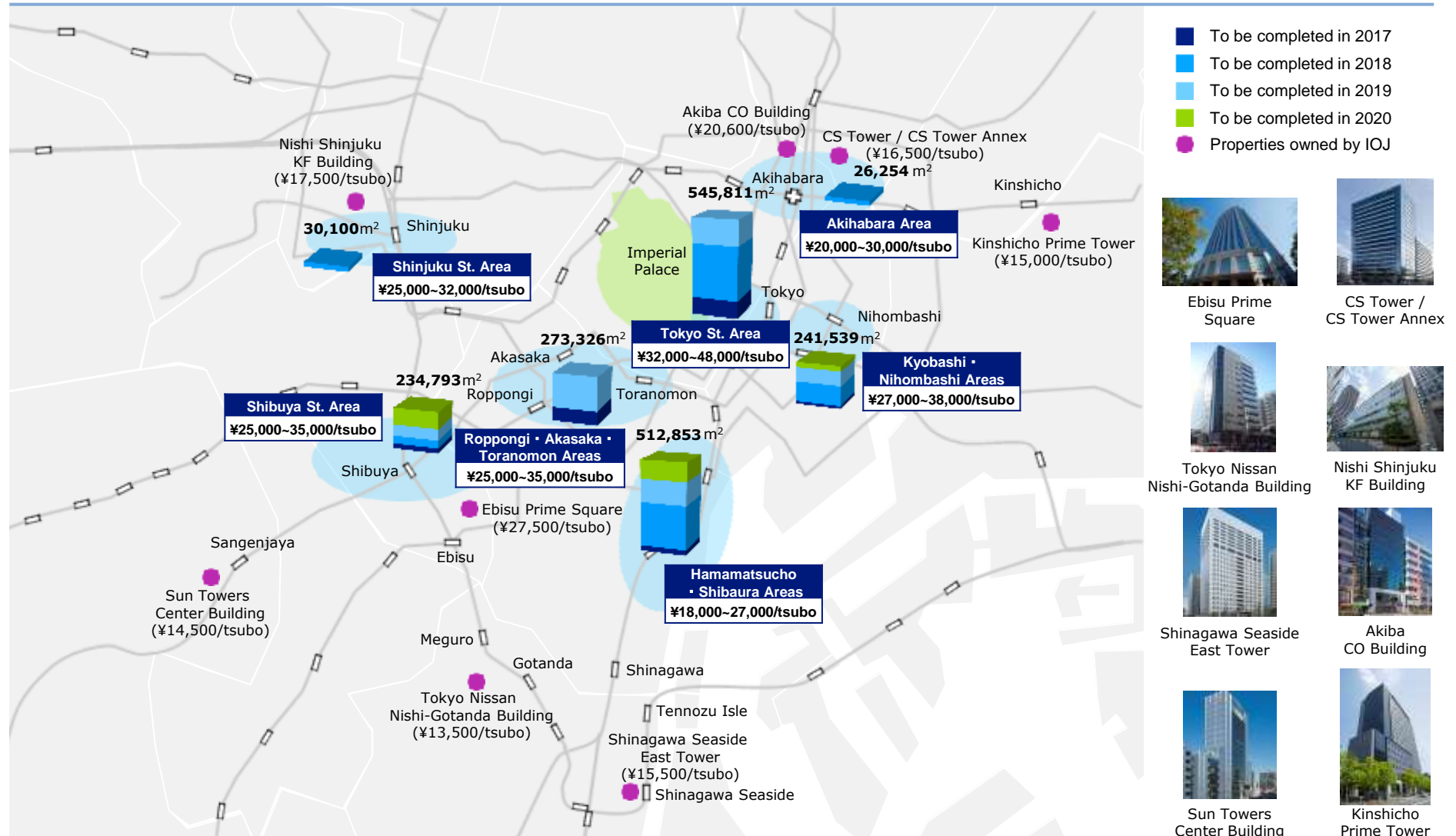
(Note1) Average rents for the 8 assets as of the end of FP5.

(Note2) Market rent above represents contracted rent for a typical floor of assets managed by IOJ evaluated by CBRE.

# Rent Levels and Future Supply Outlook in Major Office Areas



- In terms of future supply in major office areas, active development is expected mainly around Tokyo Station
- The concerns about decline in rents due to large supply is believed to be limited for the properties owned by IOJ in the light of location and unit rent



(Note 1) Aggregated by the Asset Management Company based on each company's materials about the project to be completed  
 (Note 2) The figures show the total floor area of the office buildings of 10,000m<sup>2</sup> or more planned to be developed from 2017 through 2020 and are as of the end of December 2016  
 (Note 3) The figures in parentheses show the market rent by CBRE written in the research report as of the end of October 2016, except for Kinshicho Prime Tower (as of the end of June 2016)

(Note 4) The rent level in each area is from Nikkei Real Estate Market Report as of the end of September 2016  
 (Note 5) The rent level is estimated on the assumption that the building is rent office building of 10 years old located approx. 5-minute walk from the nearest station, and its standard floor area is 300 tsubo or more. Upper and lower limits of the average rent level are shown for a contract to be formed with tenants  
 (Source) Nikkei Real Estate Market Report, CBRE

# Intensive Asset Management

## Leasing Update for Nagoya Prime Central Tower

Growth Strategy

External Growth

Internal Growth



### Property Overview



<b>Address</b>	2-27-8, Meieki, Nishi-ku, Nagoya-shi, Aichi
<b>Completion</b>	March 18, 2009
<b>Gross Floor Area</b>	59,602.89m <sup>2</sup>
<b>Leasable Area</b>	17,117.10m <sup>2</sup>
<b>Acquisition Date</b>	June 6, 2014
<b>Purchase Price</b>	¥14,600 mm
<b>Ownership Structure</b>	Sectional ownership

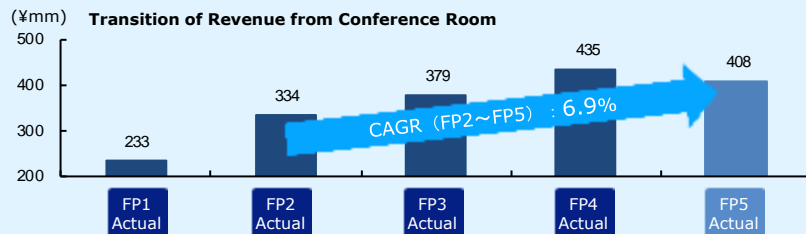
### Attractiveness & Competitive Advantage of the Property

#### Advantage of Location

- The property is located in Meieki area and is competitive in the market with good at traffic convenience. The current rent level of the property is about 4.5% lower than the average market price providing the opportunity for rent growth.

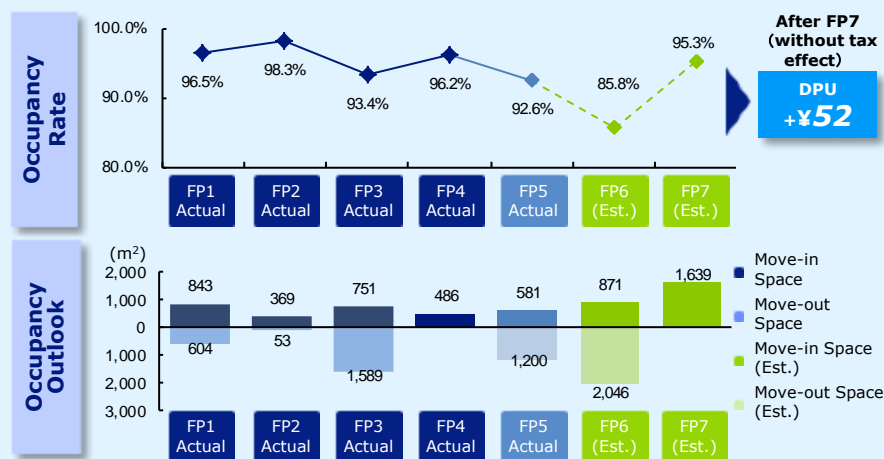
#### Advantage of Facilities

- There are limited pillars in the office space providing efficient floor plates and flexible layout options.
- The occupancy rate of meeting rooms has continued to increase due to the concentration of tenants in Meieki area. CAGR of rent income from meeting rooms was 6.9% p.a. for FP2 through FP5.



(Note) FP1 was only 5 months to report the rent income from meeting rooms.

### Transition of Occupancy Rate & Tenant Move-in/out



### Leasing Strategy

#### Tenant marketing is possible with adequate rent

- Based on the latest sub-market information, office vacancy in the vicinity has declined for properties with appropriate rent levels.

#### Strengthening of tenant sales depending on size of floor area

- There is robust tenant demand for areas of 180 tsubo or less. For areas over 180 tsubo, long-term lease contracts provide secure income.
- Through meetings with director, general manager of sales, branch managers or sales office heads, active tenant sales are encouraged.

### Actual Lease Contracts Secured (FP5)

#### Occupancy rate improved to 95.3% in June 2017 is ensured:

- Before any large tenant departing, early negotiations with specific tenant candidates ensured stability of occupancy.

#### Diversification of tenants has been realized:

5 tenants withdrew

11 tenants moved in

#### Stability of the property PL ensured:

- About 70% of new tenants signed 5-year long-term contracts, enhancing the stability of the property. For areas of 180 tsubo or less, contracts were secured at the same rent level as the current on average.

# Intensive Asset Management

## Leasing Update for Ebisu Prime Square

Growth Strategy

External Growth

Internal Growth

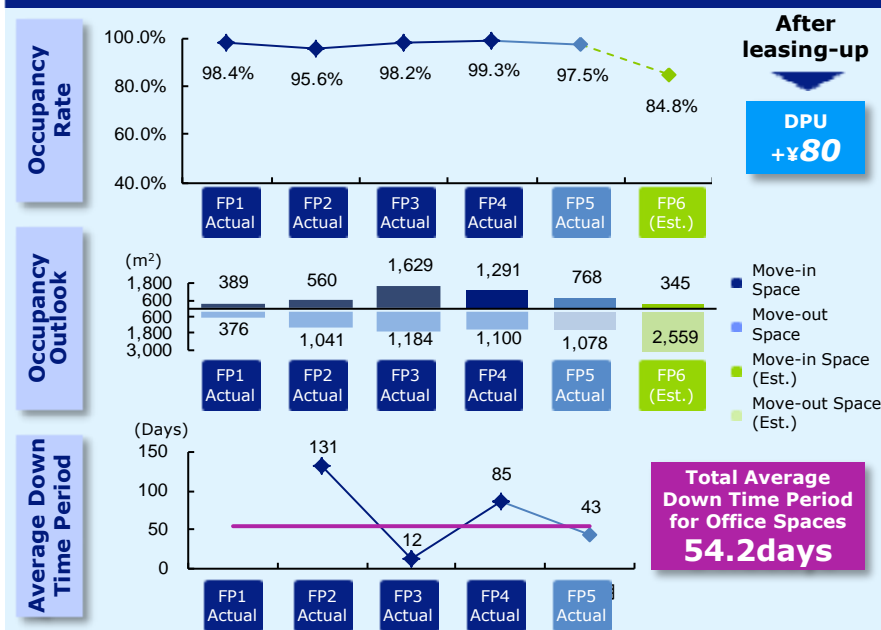


### Property Overview



<b>Address</b>	1-1-7,39,40, Hiroo, Shibuya-ku, Tokyo
<b>Completion</b>	January 31, 1997
<b>Gross Floor Area</b>	67,581.00 m <sup>2</sup>
<b>Leasable Area</b>	17,353.99 m <sup>2</sup>
<b>Acquisition Date</b>	June 6, 2014
<b>Purchase Price</b>	¥25,014 mm
<b>Ownership Structure</b>	49% co-ownership of trust beneficiary right

### Transition of Occupancy Rate & Tenant Move-in/out



### Attractiveness & Competitive Advantage of the Property

#### Advantage of Location

- The Ebisu area is an upmarket location which is popular among foreign capital companies. The area enjoys higher rent levels and occupancy rates than other office markets in Tokyo.
- Given the property is located in Hiroo, a renowned luxurious residential area, it is expected that tenant demand will come from a wide range of tenants including young singles and business executives.

#### Advantage of Facilities

- Due to shortage of large properties in the vicinity, the property is quite attractive as a landmark building comprising a high-rise office building, commercial facilities, and residential block.
- The standard office floor is about 991m<sup>2</sup>, ceiling is 2.6m, and 70-mm OA floor is built-in. Up-to-date tenant needs would be well satisfied by the specifications and equipment provided.

### Leasing Strategy

#### Strengthening of tenant sales

- With the old large tenant moving out, non-contact security cards (to enter or exit the building for exclusive use by tenants) are being introduced and the shared common area is being refurbished. These features would enhance attractiveness of the property to potential tenants.

#### Floor structure is flexible attracting various types of tenants

- A floor can be divided into maximum four sub-spaces, satisfying a wide range of occupiers from large tenants to smaller tenants. This enhances sales efforts to potential users.

#### Renewal of shared structure is under way



### Actual Lease Contracts Secured (FP5)

#### Diversification of tenants has been realized:

1 tenants withdrew

4 tenants moved in

# Intensive Asset Management

## Leasing for Sendai Honcho Building

Growth Strategy

External Growth

Internal Growth

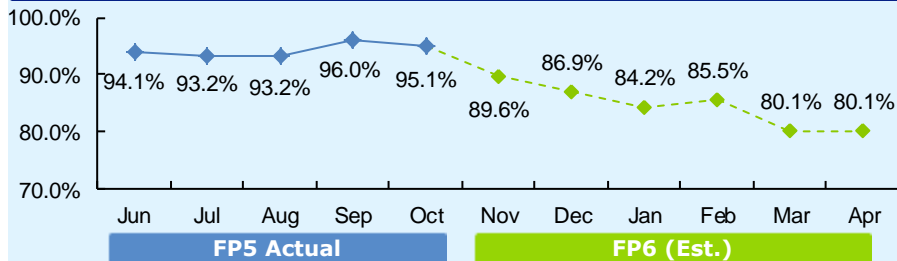


### Property Overview



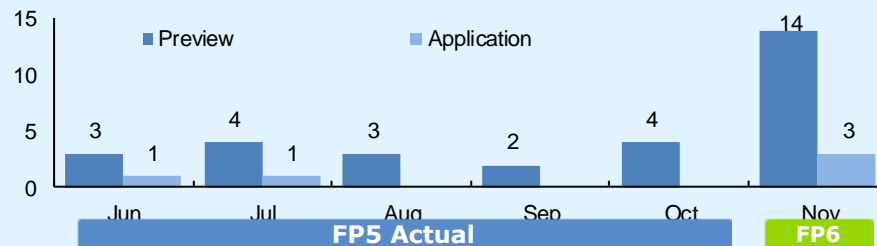
Address	2-3-10, Honcho, Aoba-ku, Sendai, Miyagi
Completion	November 26, 1984
Gross Floor Area	13,049.82m <sup>2</sup>
Leasable Area	8,962.16m <sup>2</sup>
Acquisition Date	June 1, 2016
Purchase Price	¥5,000 mm
Ownership Structure	Ownership

### Transition of Occupancy Rate



### Transition of No. of Onsite Previews and Number of Applications Received

After renovation of shared structure, a revised perspective drawing will be prepared for briefings in private previews for candidate tenants and broker (times)



### Attractiveness & Competitive Advantage of the Property

#### Advantage of Location

- Located in the business center area in Sendai, at the corner of Higashi-nibancho-dori and Hirose-dori, the property benefits from good at traffic convenience and it enjoys a high visibility.

#### Advantage of Facilities

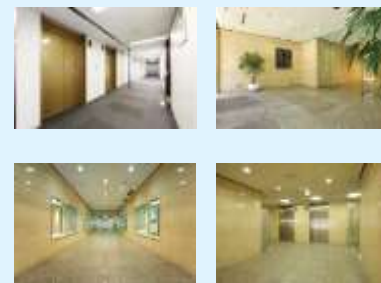
- The standard office floor is 611.72m<sup>2</sup> which is attractive in scale, and it could be divided into minimum 80m<sup>2</sup> tenancies to satisfy the needs of a variety of tenant types.

### Renewal Strategy

**The shared structure which had deteriorated over time is currently being renovated to a sophisticated design**

- ¥11m was spent for renovation of the shared structure in FP5 (ended Oct 2016). In addition to image renewal, lights used in the shared structure were changed to lights of higher efficiency (LED) and the main entrance was changed from manual to automatic.
- ¥121m will be spent in total for renovation of the shared structure and entrance renewal in 6<sup>th</sup> term (ending April 2017).

#### Before Renovation



#### After Renovation



2016						2017					
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
FP5						FP6					
New Construction of Smoking Rooms			Renovation of 9 <sup>th</sup> floor commons space			Renovation of common space other than 9 <sup>th</sup> floor and entrances					



# Other Revenues and Cost Reduction

## Contributing to enhanced NOI:

Growth Strategy

External Growth

Internal Growth



- Cost Reduction (Actual)
- Revenue Increase (Actual)
- Cost Reduction (FP6 Est.)
- Revenue Increase (FP6 Est.)
- Cost Reduction (FP7 Est.)
- Revenue Increase (FP7 Est.)

No.	Property Name	Detail of Each Action	Action Date	FP5 Actual		FP6 (Est.)		Full Contribution of Other Revenues FP7 (Est.)	
				NOI enhanced by ¥4.11mm in total (DPU: +¥5)	Revenue Increase: ¥0.16mm	NOI enhanced by ¥18.19mm in total (DPU: +¥22)	Revenue Increase: ¥3.25mm	NOI enhanced by ¥21.98mm in total (DPU: +¥27)	Revenue Increase: ¥3.67mm
3	CS TOWER CS TOWER ANNEX	<b>Cost in power supply contract reduced</b> • Existing contract with power supplier was reviewed through competitive bidding	Oct 1, 2016	+¥0.74mm	+¥4.46mm	+¥4.46mm			
		<b>Vending machine contracts rationalized</b> • Vendor was changed through competitive bidding and higher fee rate was secured	Oct 29, 2016		+¥0.91mm	+¥0.91mm			
8	Nishi-Shinjuku KF Building	<b>Vending machine contract rationalized</b> • Contracts with three vendors were concentrated to one for efficient and economical control	July 1, 2016	+¥0.16mm	+¥0.24mm	+¥0.24mm			
		<b>Cost in power supply contract reduced</b> • Existing contract with power supplier was reviewed through competitive bidding to cut the cost level	Nov 1, 2016		+¥0.96mm	+¥0.96mm			
9	Shinagawa Seaside East Tower	<b>Cost in power supply contract reduced</b> • Existing contract with power supplier was reviewed through competitive bidding to cut the cost level	Aug 1, 2016	+¥0.64mm	+¥1.27mm	+¥1.27mm			
		<b>Cost in heat supply contract reduced (to reflect fuel cost adjustment)</b> • Contract terms were reviewed through discussion with existing supplier	Aug 1, 2016	+¥2.57mm	+¥5.15mm	+¥5.15mm			
5	NAGOYA PRIME CENTRAL TOWER	<b>Cost in power supply contract reduced</b> • Change of power supplier is planned through competitive bidding to cut cost level	Feb 1, 2017		+¥1.65mm	+¥3.29mm			
6	Tokyo Nissan Nishi-Gotanda Building	<b>Cost in power supply contract reduced</b> • Change of power supplier is planned through competitive bidding to cut cost level	Mar 1, 2017		+¥0.66mm	+¥1.97mm			
13	Hakata Prime East	<b>Sub-leasing for parking space</b> • Competitive bidding was conducted as a measure to handle the problem of cancellation of large lots	Dec 1, 2016		+¥2.10mm	+¥2.52mm			
		<b>Cost in power supply contract reduced</b> • Existing contract with power supplier will be reviewed through competitive bidding to cut cost	Jan 1, 2017		+¥0.81mm	+¥1.21mm			

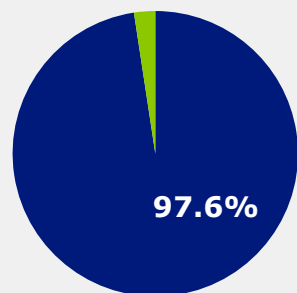
# Maintain Financial Stability and Flexibility

Improved borrowing capability by expanding lender composition



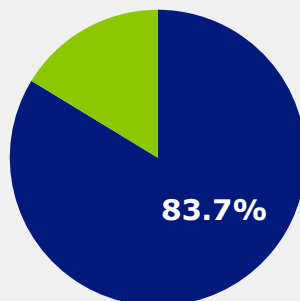
As of the end of October 2016

## Long-Term Loan Ratio



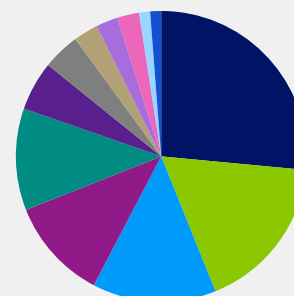
Long Term	97.6%
Short Term	2.4%

## Fixed Interest Rate Ratio



Fixed Interest Rate	83.7%
Floating Rate	16.3%

## Lenders

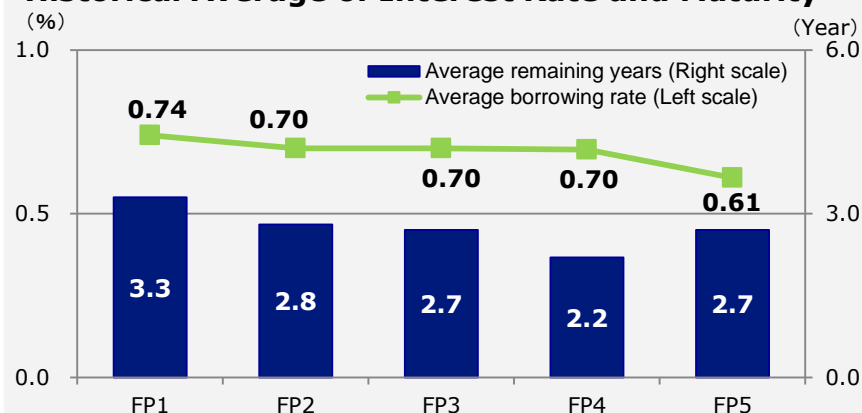


	Share (%)	Balance (¥bn)
Sumitomo Mitsui Banking Corporation	27%	21.75
The Bank of Tokyo-Mitsubishi UFJ	17%	14.30
Mizuho Bank	14%	11.30
Sumitomo Mitsui Trust Bank	11%	9.30
Resona Bank	11%	9.30
Development Bank of Japan	5%	4.50
Mitsubishi UFJ Trust and Banking Corporation	4%	3.40
Shinsei Bank	3%	2.25
Aozora Bank	2%	2.00
The Bank of Fukuoka	2%	2.00
ORIX Bank Corporation	1%	1.00
The Nishi-Nippon City Bank	1%	1.00

## Debt Maturity Schedule (¥ mm)



## Historical Average of Interest Rate and Maturity



LTV (Note1)	Interest-Bearing Debt	Average Remaining Years
47.7%	¥82.1 bn	2.7 years
Debt Capacity to LTV 50% (Note2)	Number of Lenders	Average Borrowing Rate
¥8.0bn	12	0.61%

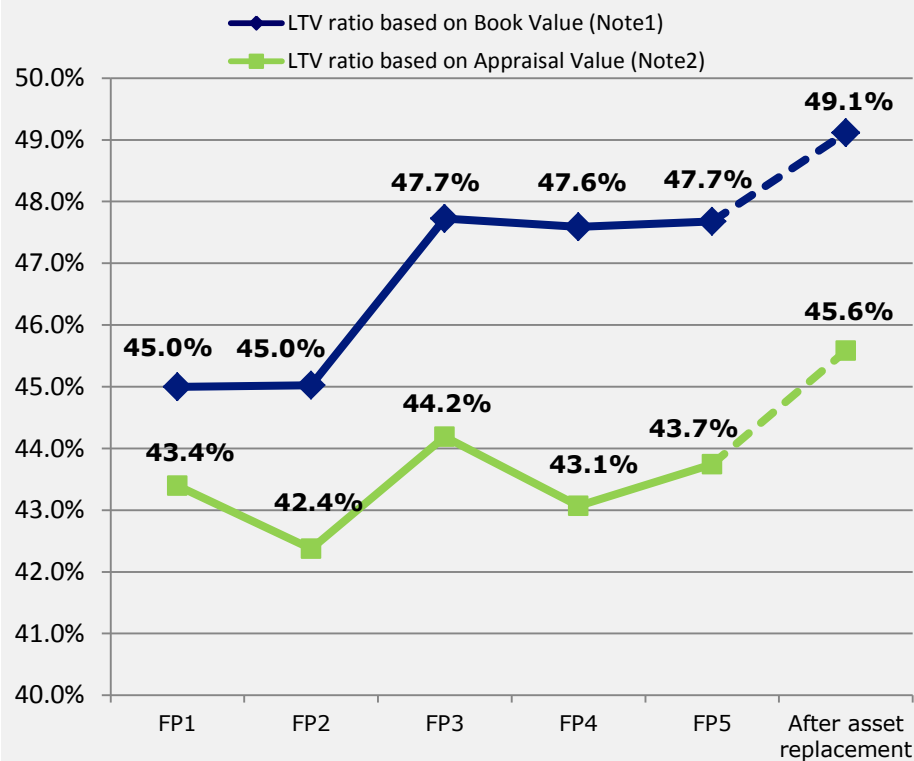
# Maintain Financial Stability and Flexibility



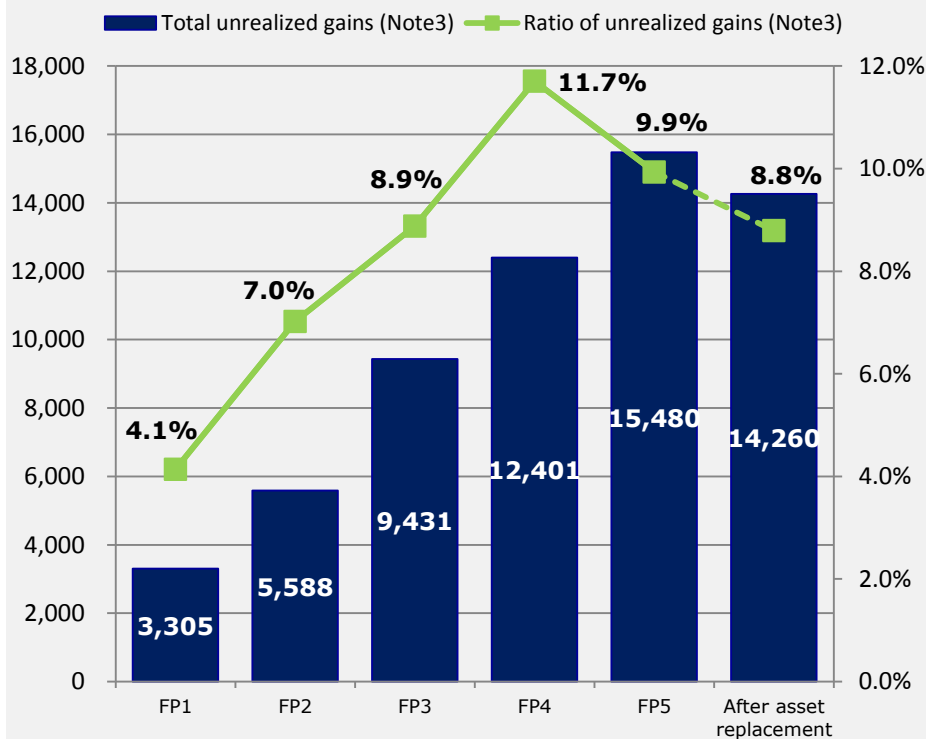
## Long-term Stable Financial Base

- Unrealized gains continue to grow to around JPY15.5 billion (rate of unrealized gains:9.9%)
- Maintaining financial stability helps to enable flexibility of financial strategy
- Control LTV level at approximately 49% after the asset replacement

### Historical LTV (%)



### Growth of Unrealized Gains (¥mm)



(Note 1) Book value LTV = Total debt / Total assets.

(Note 2) Appraisal value LTV = Total debt / (Total assets + Unrealized gain of existing portfolio).

(Note 3) Unrealized gains are calculated from the difference between book value and appraisal value at the end of each fiscal period. Rate of unrealized gains are calculated by dividing unrealized gains by book value.

# Newly Acquired Credit Rating



- IOJ acquired the long term issuer rating (Rating: A+, Rating Outlook: Stable) from Japan Credit Rating Agency, Ltd. on October 11, 2016

## Details of Credit Rating

Rating Agency	Japan Credit Rating Agency, Ltd. (JCR)
Subject	Long Term Issuer Rating
Rating	A+
Rating Outlook	Stable

## Points of Evaluation (Summary from JCR News Release on October 11, 2016)

- Abundant and time proven fund management skill of Invesco group
  - ✓ Asset under management of Invesco group : Approximately ¥80 trillion\*1 (approximately \$779.6billion\*2)
  - ✓ Accumulated invested amount of real estate in Japan : More than ¥1trillion (purchase price base)
- Satisfactory asset management performance of the acquired assets
  - ✓ After becoming the listed J-REIT, IOJ acquired 13 buildings of ¥154.2 billion in total and the occupancy rate of each buildings is high.
- Portfolio with decent diversification and high yield
  - ✓ For the profitability, NOI yield (NOI/purchase price) is approximately 4.9%
- Stable financial management
  - ✓ Although average remaining years are approximately 2.8 years, fixed loan ratio is more than 80%. LTV is 48% and weighted average interest rate is approximately 0.6%.



## IOJ's Aim of Acquiring Credit Rating

- ✓ Expansion of lender formation and investor base by improving creditability
- ✓ Diversifying financing methods including issuance of investment corporation bonds

\*1 Exchange rate : \$1 =¥102.535

\*2 as of June 30, 2016

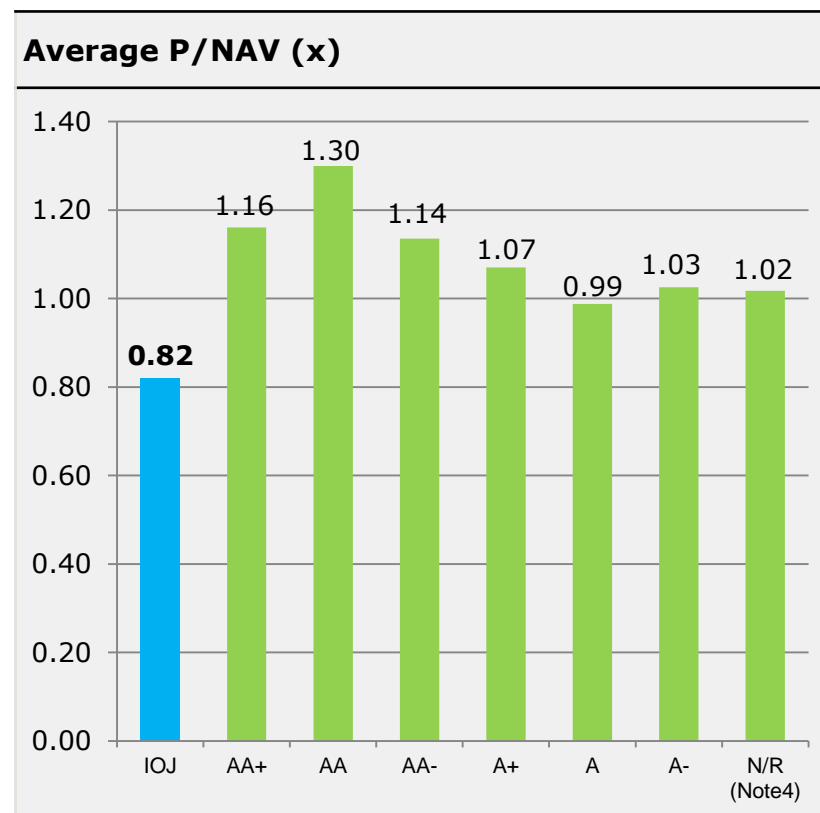
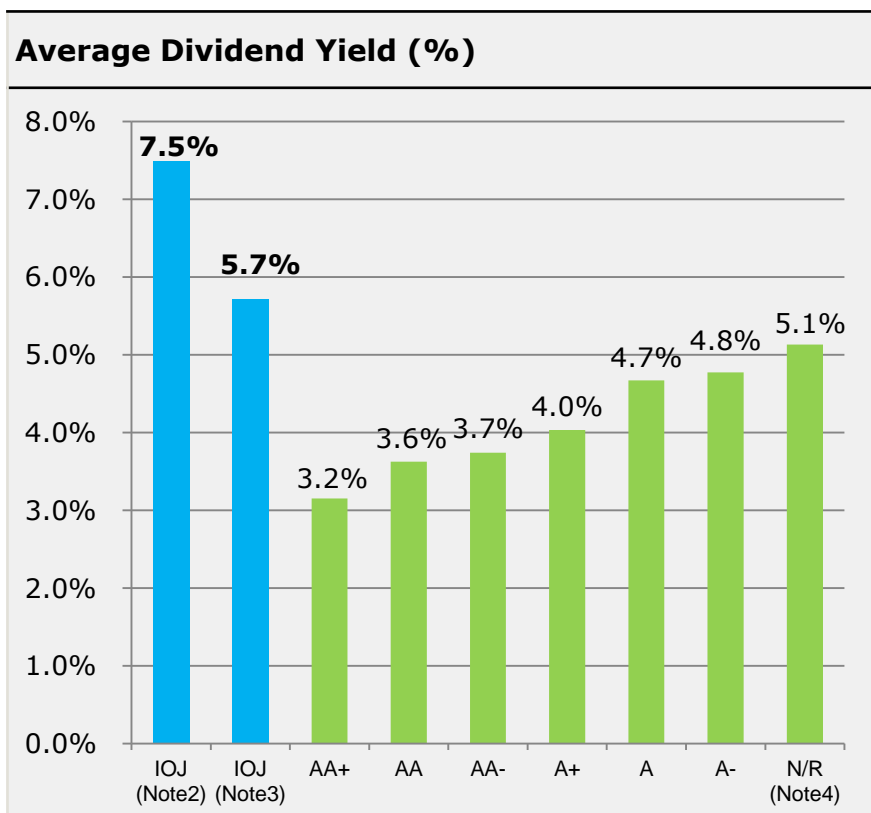
**Maximizing the unitholders' value**

# Newly Acquired Credit Rating

## Comparison in Valuation (Note1)



- A comparison of IOJ to other investment corporations which have a long term issuer rating from JCR (the average of the investment corporations with the same rating) are provided in the charts below as well as other investment corporations without ratings



(Note1) Calculated by Invesco Global Real Estate Asia Pacific, Inc., by using the latest disclosure materials and unit price as of December 9, 2016.

(Note2) Calculated based on the estimated DPU for the 6th fiscal period which includes capital gain from Triton Square Z disposition.

(Note3) Calculated based on the estimated DPU for the 6th fiscal period is calculated on the assumption that the Investment Corporation holds Kinshicho Prime Tower for the full period and exclude the rental revenue from Triton Square Z. This number is for the reference purpose only and may differ from the actual DPU.

(Note4) Indicates J-REITs which have not received credit rating from JCR.

# Act to Broaden Investor Base



- In addition to the acquisition of credit rating from JCR, IOJ focuses on various initiatives to broaden its investor base

<p>1 Acquisition of credit rating</p> <ul style="list-style-type: none"> <li>✓ Improving IOJ's creditability by an independent certifier</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #002060; color: white; padding: 5px; border-radius: 5px;">Retail Investors</div> <div style="background-color: #0070C0; color: white; padding: 5px; border-radius: 5px;">Domestic Institutional Investors</div> <div style="background-color: #70AD47; color: white; padding: 5px; border-radius: 5px;">Foreign Institutional Investors</div> </div>
<p>2 Seminar for investors at the branches of security companies</p> <ul style="list-style-type: none"> <li>✓ Driving the retail investors' awareness of IOJ and Invesco group</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #002060; color: white; padding: 5px; border-radius: 5px;">Retail Investors</div> <div style="background-color: #0070C0; color: white; padding: 5px; border-radius: 5px;">Domestic Institutional Investors</div> </div>
<p>3 Sales briefing for sales representatives of security companies</p> <ul style="list-style-type: none"> <li>✓ Driving the sales representatives' awareness of IOJ and Invesco group</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #002060; color: white; padding: 5px; border-radius: 5px;">Retail Investors</div> <div style="background-color: #0070C0; color: white; padding: 5px; border-radius: 5px;">Domestic Institutional Investors</div> </div>
<p>4 Participating various seminars regarding J-REIT</p> <ul style="list-style-type: none"> <li>✓ Driving the retail investors' awareness of IOJ and Invesco group</li> </ul>	<div style="background-color: #002060; color: white; padding: 5px; border-radius: 5px; width: fit-content; margin: 0 auto;">Retail Investors</div>
<p>5 AIFMD registration</p> <ul style="list-style-type: none"> <li>✓ Completed required registration to conduct marketing in U.K. and Netherlands</li> </ul>	<div style="background-color: #70AD47; color: white; padding: 5px; border-radius: 5px; width: fit-content; margin: 0 auto;">Foreign Institutional Investors</div>
<p>6 Conducted international IR for the first time after becoming listed J-REIT in 2014</p> <ul style="list-style-type: none"> <li>✓ Asia: July 2016, Singapore and Hong Kong January 2017, South Korea (scheduled) February 2017, Singapore and Hong Kong (scheduled)</li> <li>✓ North America: September 2016, USA and Canada March 2017, USA (scheduled)</li> <li>✓ Oceania: October 2016, Australia</li> <li>✓ Europe: February 2017, U.K., Switzerland and Netherlands (scheduled)</li> </ul>	<div style="background-color: #70AD47; color: white; padding: 5px; border-radius: 5px; width: fit-content; margin: 0 auto;">Foreign Institutional Investors</div>

# 7. Invesco Group Overview



# About Invesco

## (As of the end of September 2016)



Invesco Ltd. is a leading independent global investment management firm, dedicated to helping investors worldwide achieve their financial objectives. By delivering the combined power of our distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to our clients around the world.

### 1. Independent firm focused on investment management

- ✓ Asset under Management as of Sep. 30, 2016: USD820.2bn
- ✓ More than 750 dedicated investment professionals <sup>(Note)</sup> worldwide in 20 countries

### 2. Global Presence

- ✓ Publicly traded on NYSE; market cap of about \$12.8 billion
- ✓ S&P 500 constituent

### 3. Client Focus

- ✓ An "investor first" mindset and commitment to helping clients pursue their financial goals

### Credit Ratings of Holding Company, Invesco, Ltd.

Rating Company	Rating
Moody's Investors Service	A2 Stable
Standard & Poor's	A Stable
Fitch Ratings	A- Positive

### Financial Data

	2015	2014	2013	2012	2011
<b>Operating Data (\$ in millions)</b>					
Operating revenues	5,123	5,147	4,645	4,050	3,982
Year on Year	Δ0.5%	10.8%	14.7%	1.7%	17.6%
Operating income	1,358	1,277	1,120	843	882
Operating margin	26.50%	24.80%	24.10%	20.80%	22.20%
Net income to Invesco Ltd.	968	988	940	677	730
<b>Per Share Data:</b>					
Diluted EPS	2.26	2.27	2.1	1.49	1.57
<b>Balance Sheet Data (\$ in millions)</b>					
Total assets	25,073	20,450	19,257	17,487	19,346
Total equity to Invesco Ltd.	7,885	8,326	8,393	8,317	8,119
<b>Other Data</b>					
Ending AUM (in billions)	775.6	792.4	778.7	667.4	607.3
Average AUM (in billions)	794.7	790.3	725.6	645.3	617.8
Headcount	6,490	6,264	5,932	5,889	5,917

Source: Invesco, data as of September 30, 2016  
 (Note) Investment professionals include investment managers, traders, strategists, and economists.



# Invesco Real Estate (IRE)

(As of the end of September 2016)



- Invesco Real Estate ("IRE") manages real property and real estate securities through 21 offices in 16 countries worldwide with AUM of \$71.0 billion

## IRE's Investment Properties



Office: Washington DC, USA



Residential: New York, NY, USA



Retail: Las Vegas, NV, USA



Hotel: Paris, France



Office: London, UK

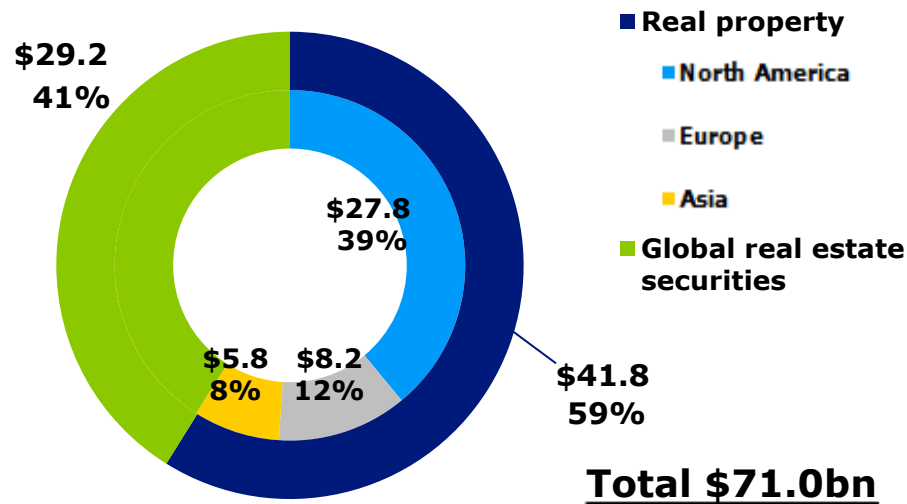


Retail: Seoul, South Korea



Logistics: Melbourne, Australia

## IRE's AUM by Real Estate Related Assets (US\$ Billions)



(Note) Invesco Office J-REIT, Inc. is managed by Invesco Global Real Estate Asia Pacific, Inc. which belongs to the Invesco Group. The properties as described on the right side of this page are not owned by Invesco Office J-REIT, Inc.





# Disclaimer



- This document is solely intended to provide information and is not intended to solicit securities or special product investment products
- This document includes forward-looking information, such as plans, strategies and future performance. Such descriptions are based on current assumptions and beliefs, and involves known and unknown risks, uncertainties, and other factors. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking information
- Financial information contained in this presentation has been prepared based on Japanese generally acceptable accounting principles
- The information contained in this document is not audited and there is no assurance regarding the accuracy, certainty and consistency of the information
- Although much attention has been paid to the inclusion of all relevant information in this document, there may be errors and omissions. Therefore, they are subject to correction or amendment without prior notice
- Duplication or reproduction of any information herein without the prior consent of IOJ or IGR is strictly prohibited



# **Invesco Office J-REIT, Inc. (3298)**

5th Fiscal Period Ended October 31, 2016

## **Data Book**

**Invesco Global Real Estate Asia Pacific, Inc.**

<http://www.invesco-reit.co.en/>



# Table of Contents



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## Data Book

▪ Top10 Tenants (as of the end of October, 2016, leased area basis)	3
▪ Achievements of Individual Assets	4-7
▪ Portfolio Information	8-12
▪ Balance Sheet (Assets)	13
▪ Balance Sheet (Liabilities and Net Assets)	14
▪ Income Statement	15
▪ Cash Flow Statement	16
▪ Proprietary Market Research	17-18
▪ Market Overview	19-20
▪ Environmental Initiatives and Energy-Saving Measures	21
▪ Unitholders (as of the end of October, 2016)	22
▪ Governance	23
▪ Rotation Rules	24
▪ Investment Unit Price	25

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# Top 10 Tenants

(as of the end of October, 2016, leased area basis)



	End Tenants	Property Name	Leased Area (sqm) (Note 1)	Ratio of Leased Area to Total Leasable Area (%) (Note 2)
1	FUJITSU MISSION CRITICAL SYSTEMS LIMITED	ORTO Yokohama	13,989.74	7.0
2	Tokyu Hotels Co., Ltd.	Queen's Square Yokohama	13,506.72	6.7
3	Sumitomo Corporation	Harumi Triton Square Office Tower Z	11,076.32	5.5
4	SUNROUTE Co.,LTD	Shinagawa Seaside East Tower	9,237.18	4.6
5	Yachiyo Engineering Co., Ltd	CS Tower / CS Tower Annex	8,533.78	4.3
6	Not disclosed (Note 3)	Shinagawa Seaside East Tower	7,456.21	3.7
7	Queens East	Queen's Square Yokohama	6,395.39	3.2
8	Marvelous Inc.	Shinagawa Seaside East Tower	6,225.70	3.1
9	Tokyu Corporation	Queen's Square Yokohama	5,596.31	2.8
10	Good Smile Company	Akiba CO Building	5,514.42	2.8
<b>Total of Top 10 Tenants</b>			<b>87,531.77</b>	<b>43.7</b>

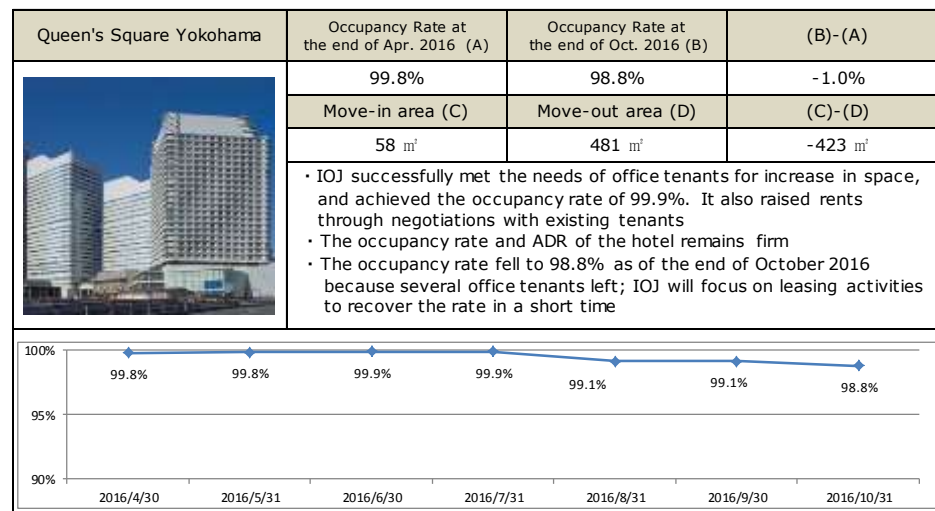
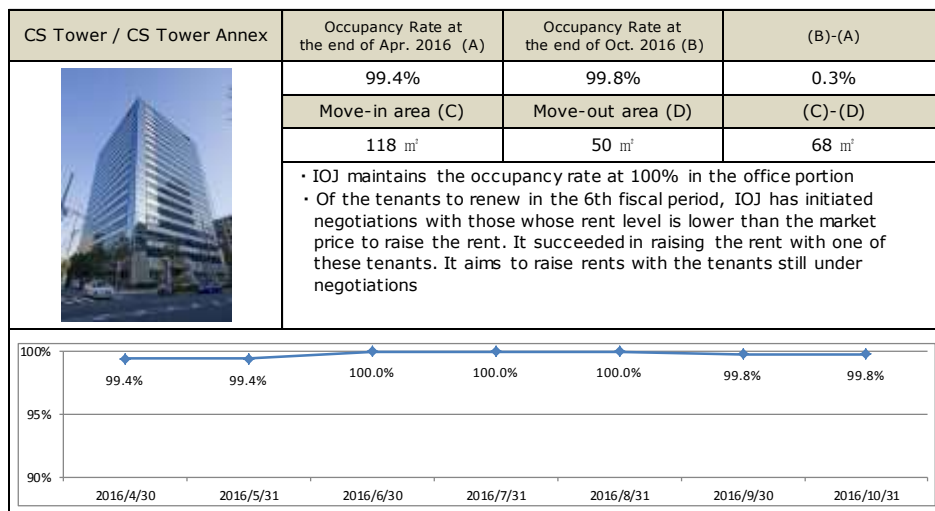
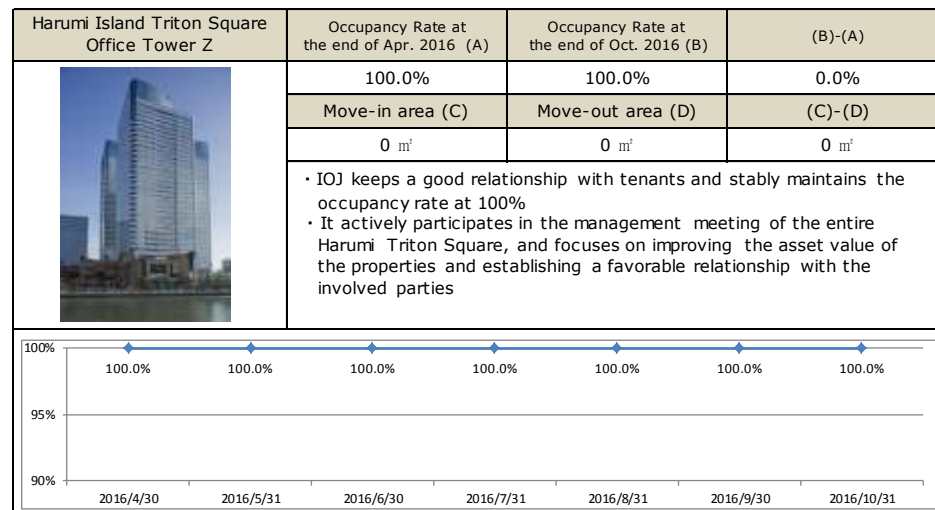
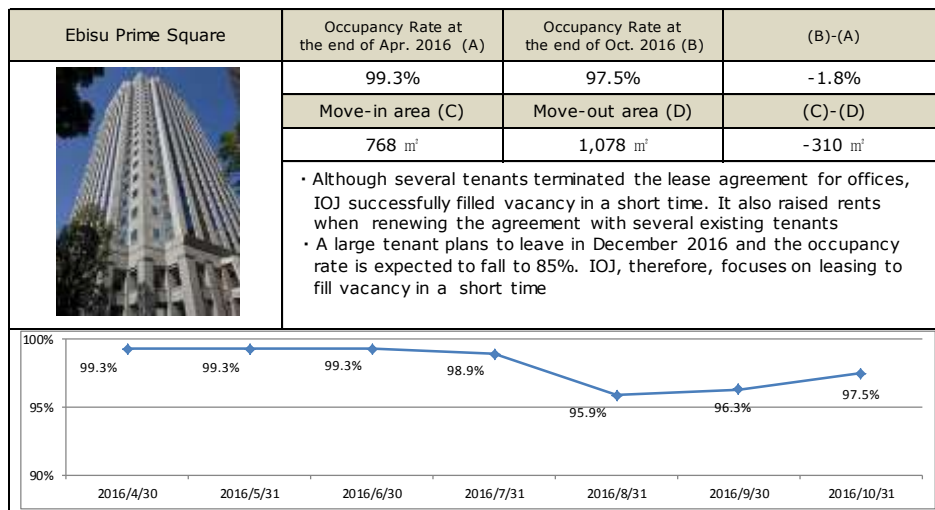
(Note1) Unless otherwise stated, "Leased Area" represents the part of the total leased area stated in the relevant lease agreement pertaining to each managed real estate and entrusted real estate as of the end of the Fourth Fiscal Period that is the part equal to the Investment Corporation's interest.

(Note2) % of Total Leased Area represents the percentage of each tenant's leased area to the total leased area of all managed assets, rounded to one decimal place.

(Note3) Information is not disclosed as the tenant's authorization has not been obtained.

# Achievements of Individual Assets

## 5th Fiscal Period (ended October 31, 2016)




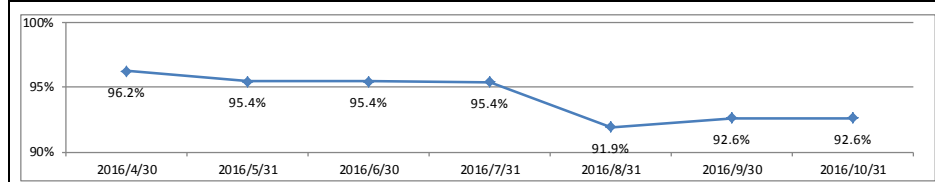



# Achievements of Individual Assets

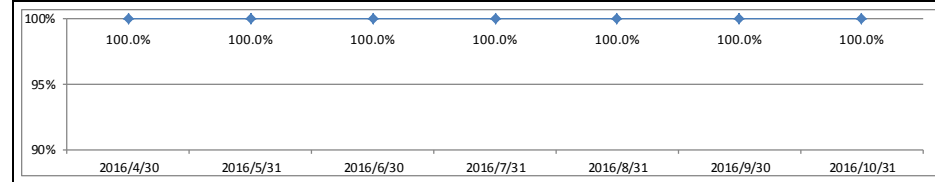
## 5th Fiscal Period (ended October 31, 2016)




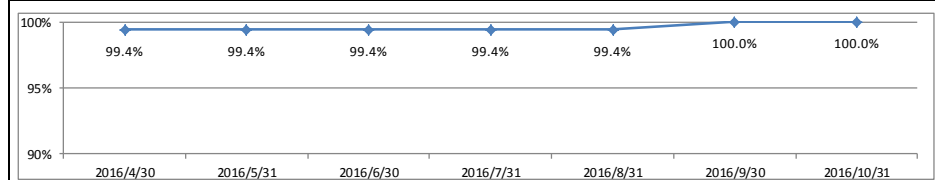
Nagoya Prime Central Tower	Occupancy Rate at the end of Apr. 2016 (A)	Occupancy Rate at the end of Oct. 2016 (B)	(B)-(A)
	96.2%	92.6%	-3.6%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	581 m <sup>2</sup>	1,200 m <sup>2</sup>	-620 m <sup>2</sup>
	<ul style="list-style-type: none"> <li>Owing to new contracts with several tenants, the occupancy rate is expected to recover to 95% from the 7th fiscal period shortly after the fall because of a large tenant leave (approx. 15%)</li> <li>In order to fill the vacancy of slightly less than 5% and prepare for large tenant leave in the future, IOJ will continuously focus on leasing activities such as developing a relationship of trust with brokers</li> </ul>		




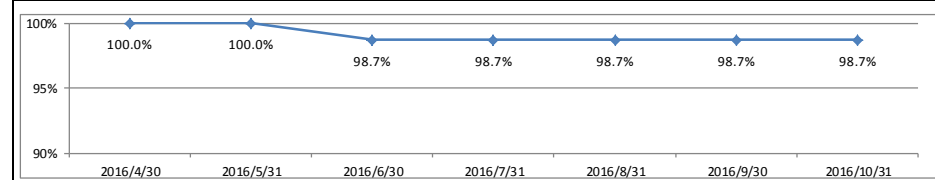
Tokyo Nissan Nishi-Gotanda Building	Occupancy Rate at the end of Apr. 2016 (A)	Occupancy Rate at the end of Oct. 2016 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 m <sup>2</sup>	0 m <sup>2</sup>	0 m <sup>2</sup>
	<ul style="list-style-type: none"> <li>IOJ maintains the current occupancy rate of 100%. It also advances the negotiations with the tenants whose rent is lower than the market price to raise the rent, and improves the average rent of the entire building</li> <li>In order to negotiate to raise rents and maintain the current occupancy rate, IOJ systematically renovates the common area and improves the satisfaction level of tenants</li> </ul>		



ORTO Yokohama	Occupancy Rate at the end of Apr. 2016 (A)	Occupancy Rate at the end of Oct. 2016 (B)	(B)-(A)
	99.4%	100.0%	0.6%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	133 m <sup>2</sup>	0 m <sup>2</sup>	133 m <sup>2</sup>
	<ul style="list-style-type: none"> <li>IOJ succeeded in attracting tenants to fill vacancy, and achieved the occupancy rate of 100% in September 2016</li> <li>While keeping a good relationship with the existing tenants, IOJ focuses on leasing activities for the retail area from which the tenant plans to leave in April 2017</li> </ul>		

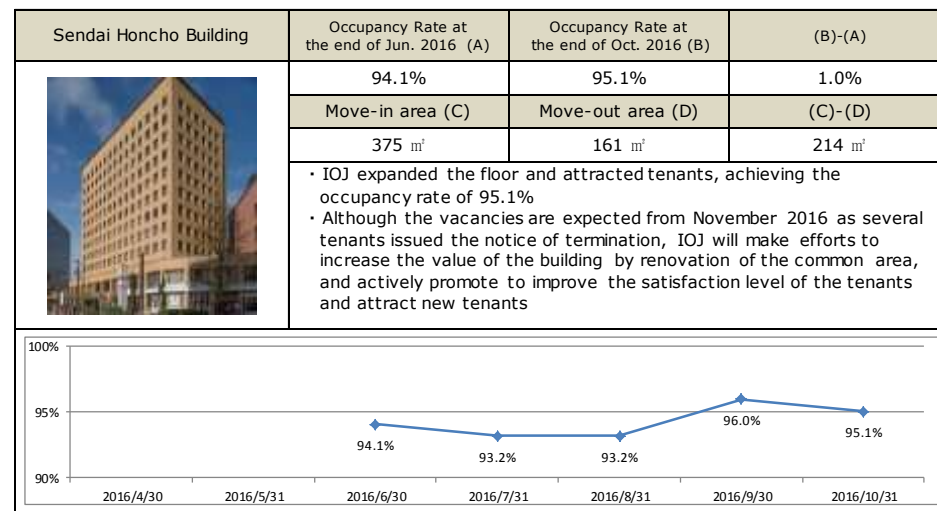
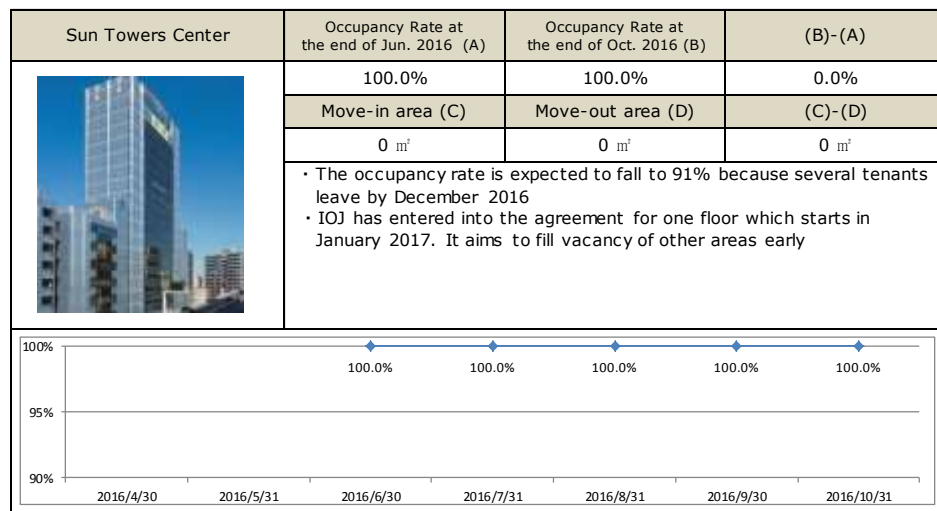
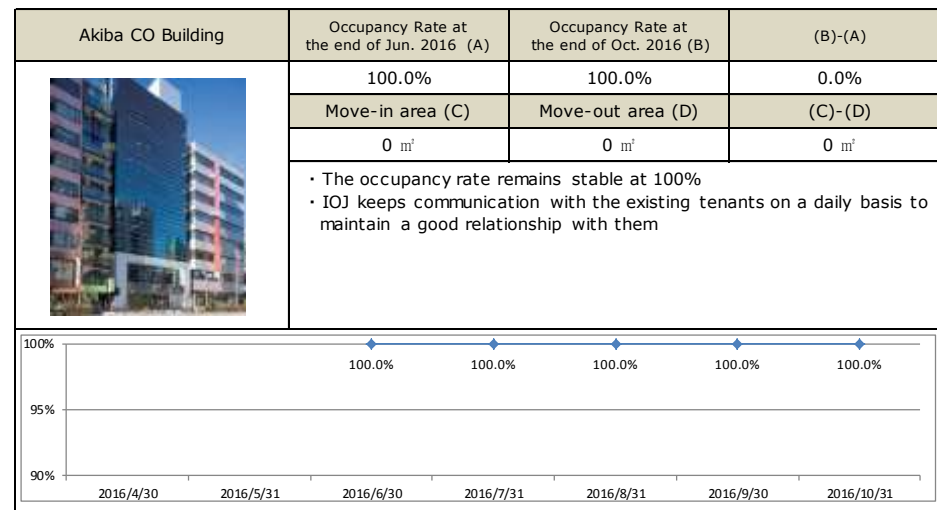
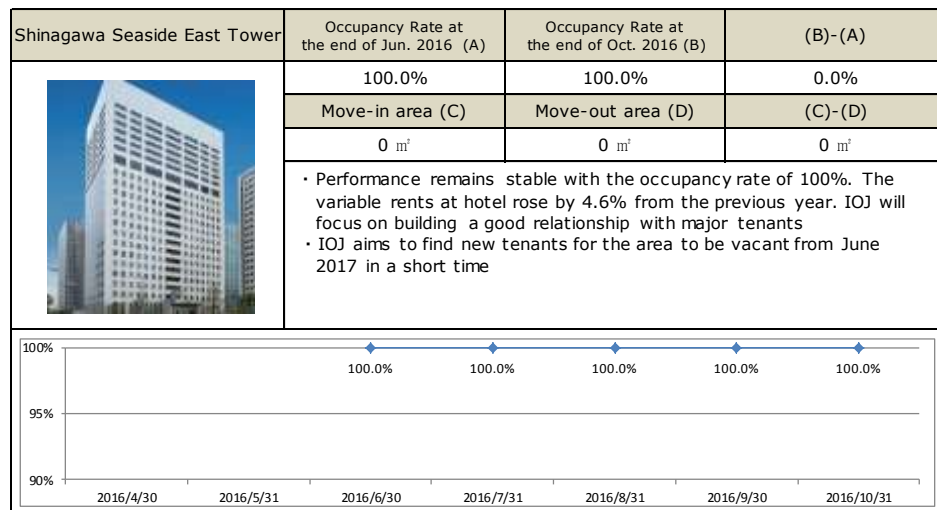


Nishi-Shinjuku KF Building	Occupancy Rate at the end of Apr. 2016 (A)	Occupancy Rate at the end of Oct. 2016 (B)	(B)-(A)
	100.0%	98.7%	-1.3%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 m <sup>2</sup>	82 m <sup>2</sup>	-82 m <sup>2</sup>
	<ul style="list-style-type: none"> <li>IOJ has concluded the agreement to raise rents with five existing tenants (including two large tenants), and improved the average rent and value of properties. It continues negotiations with the tenants whose rent is lower than the market price to raise the rent</li> <li>IOJ enhances the leasing activities to fill vacancy (residence: 1.3%) to recover the occupancy rate to 100% early</li> </ul>		




# Achievements of Individual Assets

## 5th Fiscal Period (ended October 31, 2016)

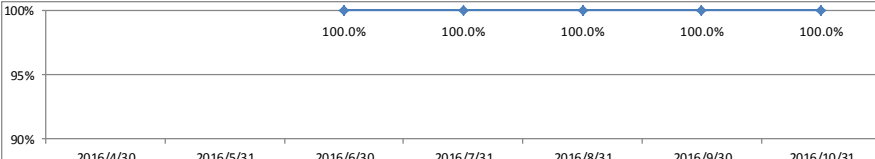


# Achievements of Individual Assets

## 5th Fiscal Period (ended October 31, 2016)

Hakata Prime East	Occupancy Rate at the end of Jun. 2016 (A)	Occupancy Rate at the end of Oct. 2016 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 m <sup>2</sup>	0 m <sup>2</sup>	0 m <sup>2</sup>
	<ul style="list-style-type: none"> <li>• IOJ maintains a good relationship with existing tenants, and keeps the occupancy rate at 100%</li> <li>• It has entered into the agreement to raise rents with two existing tenants, and improved the average rent. It continuously negotiates with the tenants whose rent is lower than the market price to raise the rent</li> </ul>		


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# Portfolio Information



## Portfolio Details (as of October 31, 2016)

No.	Property Name	Location	Purchase Price (JPY mm)	Appraisal Value (JPY mm)	Leasable Area (sqm)	Investment Ratio (%)	Age (Years)	NOI Yield (Note) (%)	Occupancy (%)	PML (%)
1	Ebisu Prime Square	Shibuya-ku, Tokyo	25,014	27,538	17,354.04	16.2	20	4.1	97.5	2.35
2	Harumi Triton Square Office Tower Z	Chuo-ku, Tokyo	9,300	10,900	11,076.32	6.0	15	4.5	100.0	2.60
3	CS Tower / CS Tower Annex	Taito-ku, Tokyo	13,700	15,700	19,998.31	8.9	25	5.8	99.8	3.21
4	Queen's Square Yokohama	Yokohama-shi, Kanagawa	16,034	17,800	41,954.39	10.4	19	6.3	98.8	2.96
5	Nagoya Prime Central Tower	Nagoya-shi ,Aichi	14,600	18,000	17,117.10	9.5	8	5.8	92.6	3.61
6	Tokyo Nissan Nishi Gotanda	Shinagawa-ku, Tokyo	6,700	7,290	8,522.42	4.3	27	5.1	100.0	7.14
7	ORTO Yokohama	Yokohama-shi, Kanagawa	13,000	14,400	23,593.92	8.4	16	5.5	100.0	4.94
8	Nishi Shinjuku KF Building	Shinjuku-ku, Tokyo	6,600	7,020	6,287.78	4.3	24	3.9	98.7	5.03
9	Shinagawa Seaside East Tower	Shinagawa-ku, Tokyo	25,066	26,600	27,892.63	16.3	12	4.6	100.0	4.94
10	Akiba CO Building	Chiyoda-ku, Tokyo	8,078	9,150	5,514.42	5.2	16	4.0	100.0	6.18
11	Sun Towers Center	Setagaya-ku, Tokyo	6,615	7,070	7,921.44	4.3	24	4.4	100.0	0.96
12	Sendai Honcho Building	Sendai-shi, Miyagi	5,000	5,200	8,962.16	3.2	32	4.9	95.1	2.66
13	Hakata Prime East	Fukuoka-shi, Fukuoka	4,500	4,610	7,018.05	2.9	25	5.0	100.0	1.56
Total			154,207	171,278	203,212.97	100.0	20	5.0	98.6	2.37

8 (Note) The ratio is calculated by the following formula : annualized actual NOI during the FP5 / purchase price.

# Portfolio Information



## Appraisal Value Overview (as of October 31, 2016)


No.	Property Name (Existing Properties)	Purchase Price (JPY mm)	as of October 31, 2016						as of April 30, 2016	
			Appraisal Value (JPY mm) (a)		Direct Cap Rate (%) (c)		Book Value (JPY mm)	Unrealized Gain/Loss (JPY mm)	Appraisal Value (JPY mm)(b)	Direct Cap Rate (%) (d)
			(a)-(b)	(c)-(d)						
1	Ebisu Prime Square	25,014	27,538	0	3.7	0.0	25,373	2,164	27,538	3.7
2	Harumi Triton Square Office Tower Z	9,300	10,900	0	4.1	-0.1	9,203	1,696	10,900	4.2
3	CS Tower / CS Tower Annex	13,700	15,700	0	4.6	0.0	13,861	1,838	15,700	4.6
4	Queen's Square Yokohama	16,034	17,800	100	4.7	-0.2	15,923	1,876	17,700	4.9
5	Nagoya Prime Central Tower	14,600	18,000	100	4.6	0.0	14,512	3,487	17,900	4.6
6	Tokyo Nissan Nishi Gotanda	6,700	7,290	0	4.2	0.0	6,901	388	7,290	4.2
7	ORTO Yokohama	13,000	14,400	100	4.8	-0.1	13,052	1,347	14,300	4.9
8	Nishi Shinjuku KF Building	6,600	7,020	10	3.9	0.0	6,837	182	7,010	3.9
9	Shinagawa Seaside East Tower <sup>(Note)</sup>	25,066	26,600	200	3.9	0.0	25,334	1,265	26,400	3.9
10	Akiba CO Building <sup>(Note)</sup>	8,078	9,150	40	3.7	0.0	8,325	824	9,110	3.7
11	Sun Towers Center <sup>(Note)</sup>	6,615	7,070	0	4.5	0.0	6,699	370	7,070	4.5
12	Sendai Honcho Building <sup>(Note)</sup>	5,000	5,200	0	5.0	0.0	5,225	-25	5,200	5.0
13	Hakata Prime East <sup>(Note)</sup>	4,500	4,610	20	4.8	-0.1	4,548	61	4,590	4.9
Total		154,207	171,278	570	4.3	0.0	155,798	15,480	170,708	4.3

9 (Note) Appraisal value and direct cap rate for the fourth fiscal period is based on the appraisal report which IOJ acquired when IOJ acquired each property and they are not as of April 30, 2016.

# Portfolio Information

## Income and Expenditure of Individual Properties



(JPYmm)	Ebisu Prime Square	Harumi Island Triton Square Office Tower Z	CS Tower/ CS Tower Annex	Queen's Square Yokohama	Nagoya Prime Central Tower
					
<b>Location</b>	Shibuya-ku, Tokyo	Chuo-ku, Tokyo	Taito-ku, Tokyo	Yokohama-shi, Kanagawa	Nagoya-shi, Aichi
<b>Purchase price</b>	25,014	9,300	13,700	16,034	14,600
<b>Book value<sup>(Note1)</sup></b>	25,373	9,203	13,861	15,923	14,512
<b>No. of days in operation</b>	184 days	184 days	184 days	184 days	184 days
<b>(a) Total real estate rental revenues</b>	798	(Note2)	559	982	(Note2)
<b>Rental revenues</b>	707		503	824	
<b>Other rental revenues</b>	90		55	158	
<b>(b) Total property-related expenses</b>	337		228	599	
<b>Expenses for management and operation</b>	62		56	135	
<b>Utilities expenses</b>	110		46	168	
<b>Insurance expenses</b>	1		1	3	
<b>Repair and maintenance</b>	25		11	18	
<b>Taxes and dues</b>	69		39	117	
<b>Depreciation</b>	61		71	127	
<b>Other property-related expenses</b>	6	2	27		
<b>(c) Income (loss) from real estate rental business((a)–(b))</b>	461	167	330	382	280
<b>NOI ((c) + Depreciation)</b>	522	208	401	510	425


(Note1) Data is as of the end of October 2016.

(Note2) We have not obtained permission from the tenants of the properties to disclose the information.

# Portfolio Information

## Income and Expenditure of Individual Properties



	Tokyo Nissan Nishi-Gotanda Building	ORTO Yokohama	Nishi-Shinjuku KF Building	Shinagawa Seaside East Tower	Akiba CO Building
					
(JPYmm)					
<b>Location</b>	Shinagawa-ku, Tokyo	Yokohama-shi, Kanagawa	Shinjuku-ku, Tokyo	Shinagawa-ku, Tokyo	Chiyoda-ku, Tokyo
<b>Purchase price</b>	6,700	13,000	6,600	25,066	8,078
<b>Book value<sup>(Note)</sup></b>	6,901	13,052	6,837	25,334	8,325
<b>No. of days in operation</b>	184 days	184 days	184 days	153 days	153 days
<b>(a) Total real estate rental revenues</b>	251	549	186	757	(Note2)
<b>Rental revenues</b>	234	549	169	661	
<b>Other rental revenues</b>	16	-	17	95	
<b>(b) Total property-related expenses</b>	103	272	69	294	
<b>Expenses for management and operation</b>	21	117	16	78	
<b>Utilities expenses</b>	24	-	15	105	
<b>Insurance expenses</b>	1	2	0	1	
<b>Repair and maintenance</b>	6	15	8	24	
<b>Taxes and dues</b>	24	51	16	-	
<b>Depreciation</b>	24	85	12	83	
<b>Other property-related expenses</b>	0	0	0	1	
<b>(c) Income (loss) from real estate rental business((a)-(b))</b>	148	276	117	463	145
<b>NOI ((c) + Depreciation)</b>	172	361	129	547	154




(Note1) Data is as of the end of October 2016.

**11** (Note2) We have not obtained permission from the tenants of the properties to disclose the information.

# Portfolio Information

## Income and Expenditure of Individual Properties



(JPYmm)	Sun Towers Center Building	Sendai Honcho Building	Hakata Prime East
			
<b>Location</b>	Setagaya-ku, Tokyo	Sendai-shi, Miyagi	Fukuoka-shi, Fukuoka
<b>Purchase price</b>	6,615	5,000	4,500
<b>Book value<sup>(Note)</sup></b>	6,699	5,225	4,548
<b>No. of days in operation</b>	153 days	153 days	153 days
<b>(a) Total real estate rental revenues</b>	195	158	135
<b>Rental revenues</b>	181	144	122
<b>Other rental revenues</b>	14	14	13
<b>(b) Total property-related expenses</b>	71	56	49
<b>Expenses for management and operation</b>	24	15	16
<b>Utilities expenses</b>	22	16	11
<b>Insurance expenses</b>	0	0	0
<b>Repair and maintenance</b>	8	4	3
<b>Taxes and dues</b>	-	-	-
<b>Depreciation</b>	15	16	16
<b>Other property-related expenses</b>	0	1	0
<b>(c) Income (loss) from real estate rental business((a)–(b))</b>	124	102	86
<b>NOI ((c) + Depreciation)</b>	139	119	102



# Balance Sheet (Assets)



(Unit: Thousands of Yen)

	Fourth Fiscal Period As of April 30, 2016	Fifth Fiscal Period As of October 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash deposits	3,272,098	3,711,863
Entrusted cash and entrusted cash deposits	7,364,727	10,264,404
Account receivables - operating	335,944	438,068
Consumption tax receivable	-	648,094
Income taxes receivable	-	1,386
Short-term prepaid expenses	170,714	270,814
Deferred tax assets	12	21
Other current assets	1,518	1,518
<b>Total current assets</b>	<b>11,145,016</b>	<b>15,336,173</b>
<b>Fixed assets:</b>		
<b>Property and equipment</b>		
Entrusted buildings	31,141,972	40,348,924
Accumulated depreciation	-1,760,962	-2,445,998
Entrusted buildings, net	29,381,009	37,902,926
Entrusted building improvements	300,473	370,321
Accumulated depreciation	-51,116	-70,988
Entrusted building improvements, net	249,356	299,332
Entrusted machineries	17,687	20,386
Accumulated depreciation	-1,510	-2,362
Entrusted machineries, net	16,176	18,024
Entrusted furniture and equipment	50,009	62,847
Accumulated depreciation	-7,943	-12,451
Entrusted furniture and equipment, net	42,066	50,396
Entrusted land	76,229,866	117,507,265
Entrusted construction in progress	18,590	20,525
<b>Total property and equipment</b>	<b>105,937,067</b>	<b>155,798,472</b>
<b>Intangible assets:</b>		
Other intangible assets	5,630	4,738
<b>Total intangible assets</b>	<b>5,630</b>	<b>4,738</b>
<b>Investment and other assets:</b>		
Investment in securities	307,359	102,531
Security deposits and guarantee deposits	10,000	10,101
Long-term prepaid expenses	217,974	463,185
Derivative assets	-	58,496
Other investments	465,376	430,545
<b>Total investment and other assets</b>	<b>1,000,710</b>	<b>1,064,859</b>
<b>Total fixed assets</b>	<b>106,943,408</b>	<b>156,868,069</b>
<b>TOTAL ASSETS</b>	<b>118,088,424</b>	<b>172,204,243</b>

# Balance Sheet (Liabilities and Net Assets)



(Unit: Thousands of Yen)

	Fourth Fiscal Period As of April 30, 2016	Fifth Fiscal Period As of October 31, 2016
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable - operating	346,197	563,516
Short-term loans	8,600,000	2,000,000
Current portion of long-term loans	-	13,000,000
Accounts payable - other	255,277	332,734
Accrued expenses	59,062	82,475
Income tax payable	766	738
Consumption tax payable	198,012	-
Rent received in advance	252,064	678,569
Other current liabilities	3,112	151,203
<b>Total current liabilities</b>	<b>9,714,494</b>	<b>16,809,237</b>
<b>Non-current liabilities:</b>		
Long-term loans	47,600,000	67,100,000
Entrusted tenant leasehold and security deposits	5,420,290	7,093,376
Deferred tax liabilities	-	18,478
<b>Total non-current liabilities</b>	<b>53,020,290</b>	<b>74,211,855</b>
<b>TOTAL LIABILITIES</b>	<b>62,734,784</b>	<b>91,021,093</b>
<b>Net Assets</b>		
<b>Unitholders' equity:</b>		
Unitholders' equity	53,891,022	78,913,658
Surplus:		
Retained earnings	1,462,617	2,229,474
Total surplus	1,462,617	2,229,474
<b>Total Unitholders' equity</b>	<b>55,353,640</b>	<b>81,143,132</b>
<b>Valuation and translation adjustments:</b>		
Deferred income on hedges	-	40,017
<b>Total valuation and translation adjustments</b>	<b>-</b>	<b>40,017</b>
<b>TOTAL NET ASSETS</b>	<b>55,353,640</b>	<b>81,183,149</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>118,088,424</b>	<b>172,204,243</b>

# Income Statement



(Unit: Thousands of Yen)

	Fourth Fiscal Period November 1, 2015 through April 30, 2016	Fifth Fiscal Period May 1, 2016 through October 31, 2016
<b>Operating revenues:</b>		
Rental revenues	3,827,863	5,151,585
Other rental revenues	351,652	527,258
Dividend income from investments in securities	4,359	5,470
Total operating revenues	4,183,875	5,684,314
<b>Operating expenses</b>		
Property-related expenses	2,041,895	2,592,499
Asset management fees	325,303	410,212
General administration and Custodian fees	13,435	16,472
Compensation for directors	4,800	4,800
Other operating expenses	67,905	63,178
Total operating expenses	2,453,340	3,087,162
<b>Operating income</b>	<b>1,730,535</b>	<b>2,597,151</b>
<b>Non-operating revenues</b>		
Interest income	647	38
Cancellation refunds for insurance	4,120	-
Interest income on tax refund	1,605	-
Other non-operating revenues	-	99
Total non-operating revenues	6,373	138
<b>Non-operating expenses</b>		
Interest expense	194,818	242,619
Public offering costs	15,700	25,054
Financing costs	61,797	97,936
Other non-operating expenses	1,440	1,440
Total non-operating expenses	273,756	367,050
<b>Ordinary income</b>	<b>1,463,152</b>	<b>2,230,238</b>
<b>Net income before income taxes</b>	1,463,152	2,230,238
Current income taxes	863	1,051
Deferred tax expenses	3	-9
Total income taxes	867	1,042
<b>Net income</b>	<b>1,462,285</b>	<b>2,229,196</b>
Retained earnings at beginning of period	332	277
<b>Retained earnings at the end of period</b>	<b>1,462,617</b>	<b>2,229,474</b>

# Cash Flow Statement



(Unit: Thousands of Yen)

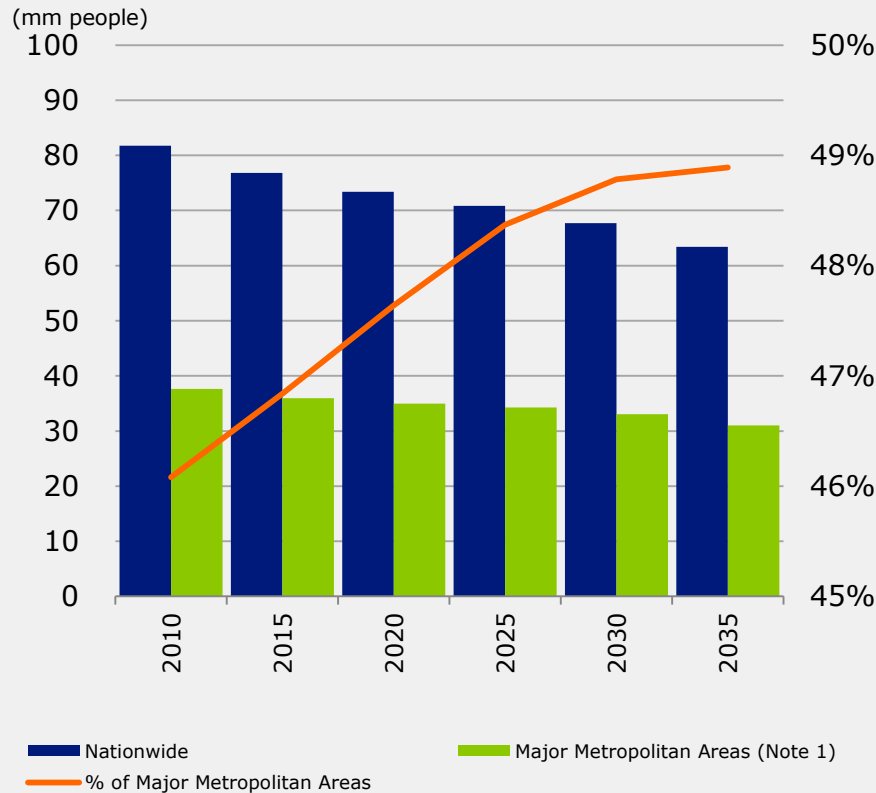
	Fourth Fiscal Period November 1, 2015 through April 30, 2016	Fifth Fiscal Period May 1, 2016 through October 31, 2016
<b>Cash flows from operating activities:</b>		
Income before income taxes	1,463,152	2,230,238
Depreciation expenses	561,916	711,158
Public offering costs	15,700	25,054
Financing costs	61,797	97,936
Interest income	-647	-38
Interest expense	194,818	242,619
(Increase) decrease in account receivables	-34,360	-102,124
(Increase) decrease in consumption tax receivable	499,668	-648,094
(Increase) decrease in income taxes receivable	-	-1,386
(Increase) decrease in short-term prepaid expenses	3,078	-23,066
(Increase) decrease in long-term prepaid expenses	8,548	-17,792
(Increase) decrease in other current assets	2,218	34,830
Increase (decrease) in accounts payable – operating	-27,358	171,753
Increase (decrease) in accounts payable – other	28,907	78,229
Increase (decrease) in consumption tax payable	198,012	-198,012
Increase (decrease) in rental received in advance	44,813	426,505
Increase (decrease) in other current liabilities	-94,494	148,091
Others	-4,359	1,155
Sub-total	2,921,412	3,177,058
Interest received	647	38
Interest expenses paid	-195,982	-219,206
Income taxes paid	-931	-766
<b>Net cash provided by operating activities</b>	<b>2,725,145</b>	<b>2,957,123</b>
<b>Cash flows from Investing activities:</b>		
Purchase of entrusted property and equipment	-216,523	-50,526,106
Redemption of investment in securities	-	304,359
Purchase of investment in securities	-301,465	-102,535
Payment of entrusted leasehold and security deposits	-	-101
<b>Net cash used in investing activities</b>	<b>-517,988</b>	<b>-50,324,382</b>
<b>Cash flows from Financing activities:</b>		
Proceeds from short-term borrowings	2,000,000	-
Repayments of short-term borrowings	-2,000,000	-6,600,00
Proceeds from long-term borrowings	-	32,500,000
Payment of financing costs	-4,010	-402,387
Proceeds from issuance of investment units	-	25,022,635
Payment of issuance of investment units	-15,700	-25,054
Distribution payments	-1,394,335	-1,461,578
<b>Net cash provided by (used in) financing activities</b>	<b>-1,414,046</b>	<b>49,033,614</b>
<b>Net change in cash and cash equivalents</b>	<b>793,110</b>	<b>1,666,355</b>
Cash and cash equivalents at the beginning of period	4,423,424	5,216,535
<b>Cash and cash equivalents at the end of period</b>	<b>5,216,535</b>	<b>6,882,891</b>

# Proprietary Market Research

## Focus on Best Long-Term Markets

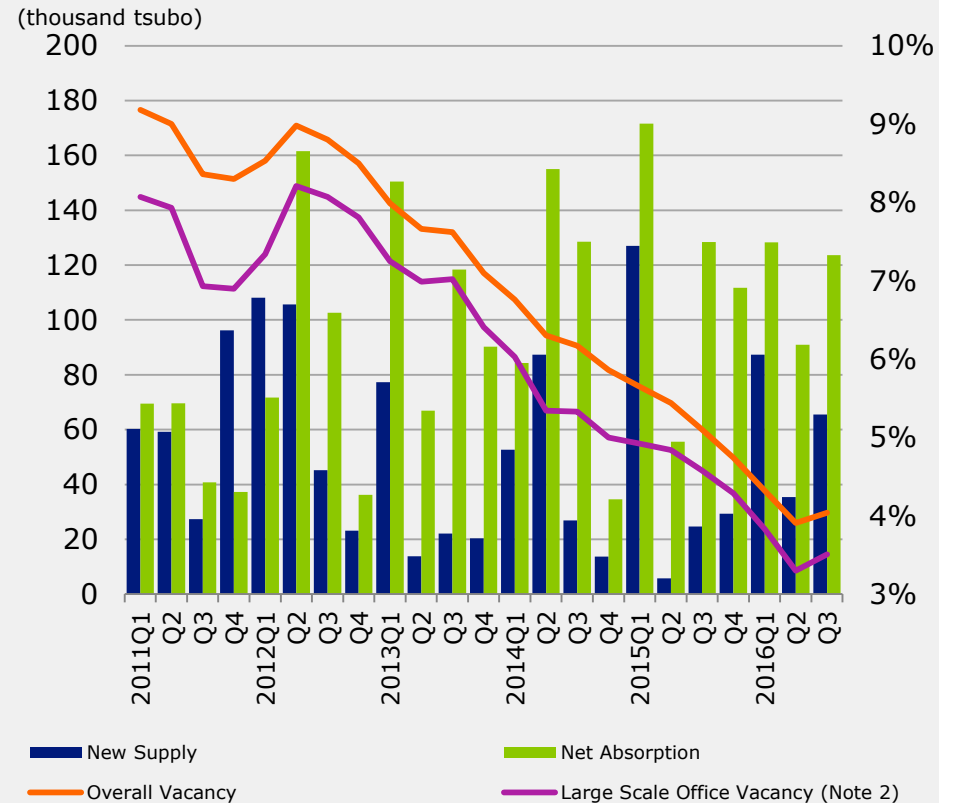


### Labor Force/National vs Major Metropolitan Areas



(Note 1) Tokyo, Saitama, Chiba, Kanagawa, Aichi, Osaka and Fukuoka  
 Source : National Institute of Population and Social Security Research  
 \* The Asset Management Company charted the above based on forecasts as of May 2013.

### Office Supply & Demand, Vacancy Trends of Overall Office vs Large-Scale Office (Greater Tokyo)

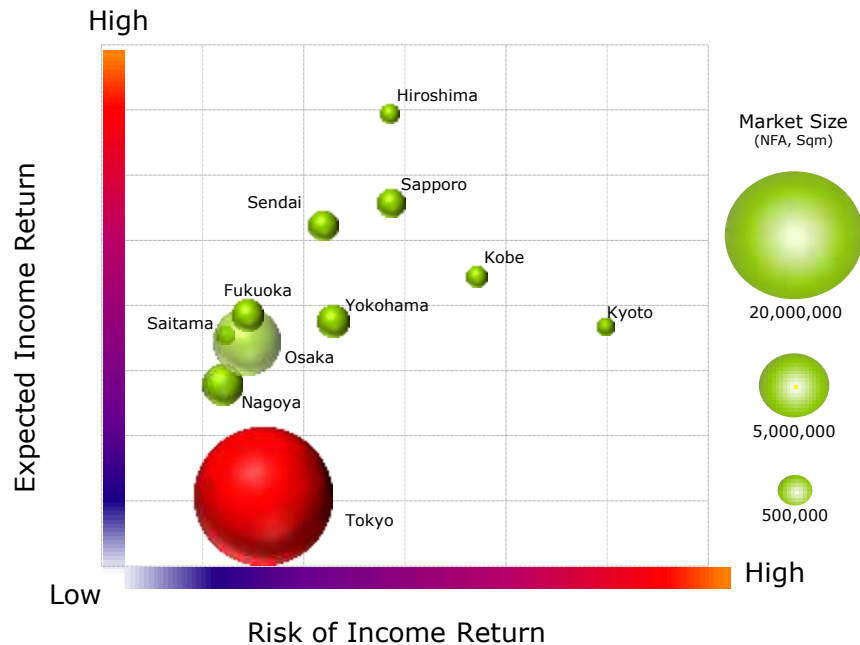


(Note 2) Over 200 tsubo (661sqm) NRA of standard floor.  
 Source: Commercial Property Research Institute  
 \* The Asset Management Company charted the above based on data reported by Sanko Estate as of Nov 2016.

# Proprietary Market Research

## Identifying Market Characteristics and Cycles

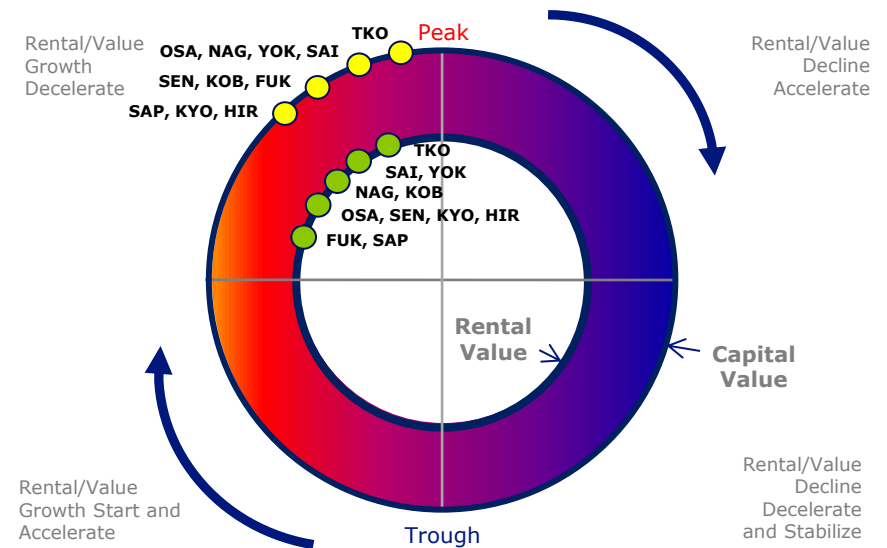
### Expected Return/Risk of Income



(Note) Risk measure is represented by Standard Deviation and Expected Return is represented by Long-term Average

Source: Invesco Real Estate estimated based on ARES (AJPI Quarterly Data, 2005Q1-2014Q4) and CBRE, as of October 2015

### Current Market Cyclical Position



(Note) SAP-Sapporo, SEN-Sendai, SAI-Saitama, TKO-Tokyo, YOK-Yokohama, NAG-Nagoya, KYO-Kyoto, OSA-Osaka, KOB-Kobe, HIR-Hiroshima and FUK-Fukuoka

Source: Invesco Real Estate estimated as of Nov 2016

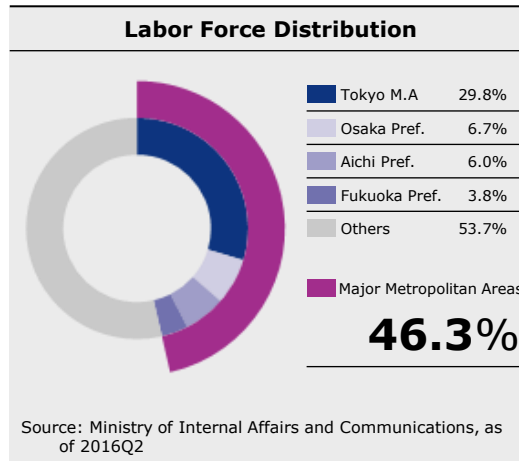
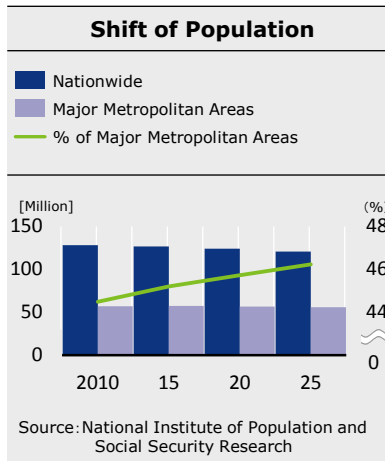
# Market Overview

## Office Market Conditions



### Population Growth Potential in Metropolitan Areas

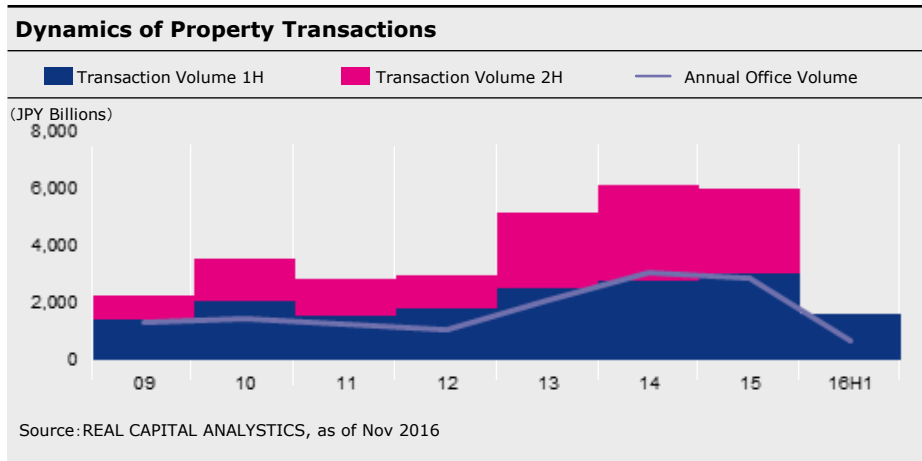
- Concentration of population and business activities support real estate demand
- The office sector benefits from long term expansion and upgrade demand alongside economic cycles



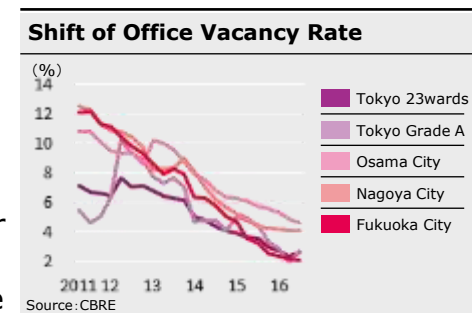
- Continued population and labor force growth in major metropolitan areas is expected as long term trend
- A focus on core metropolitan areas helps capture stronger growth prospects and more investment opportunities

### Office Market Trends

- In 2016H1, largely affected by a volatile capital market movement, total transaction volume of office was JPY 697.8 billion, decreased by 55.3% y-o-y compared to the 47.7% y-o-y decline of overall property



- Office vacancy rates in major cities have been trending down
- Strengthening demand for high quality space amid the economic recovery and increased BCP concerns after the 3.11 Earthquake have driven vacancies down in the Grade A segment



# Market Overview

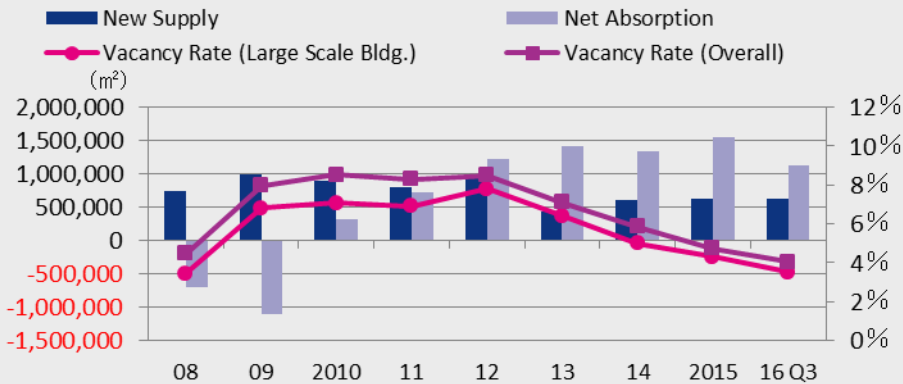
## Trends in Office Supply, Demand and Vacancy Rates



### Office Fundamental Dynamics Across Metropolitan Areas

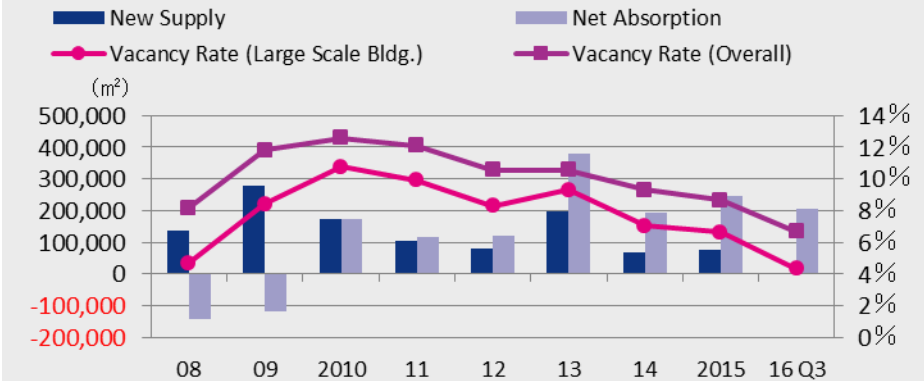
IOJ strategically focuses on the large scale high quality offices located in core CBD within major metropolitan areas, aiming to take advantage of higher occupancy and solid income growth over the long term

#### Tokyo Metropolitan Areas



Source: Commercial Property Research Institute

#### Osaka City



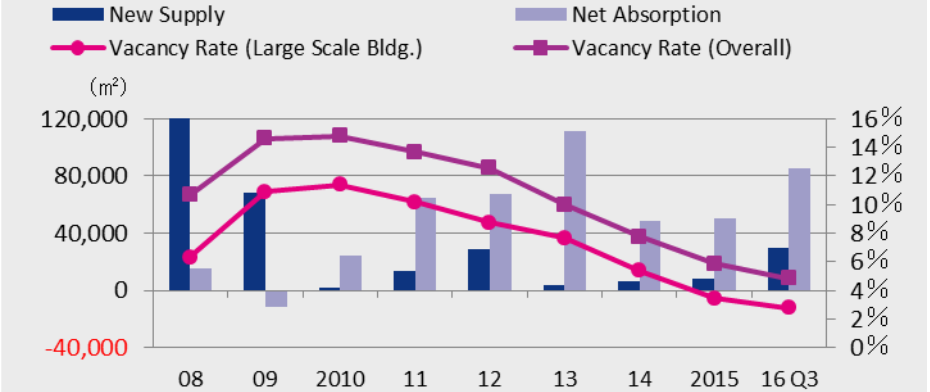
Source: Commercial Property Research Institute

#### Nagoya City



Source: Commercial Property Research Institute

#### Fukuoka City



Source: Commercial Property Research Institute



# Environmental Initiatives and Energy-Saving Measures

## ✓ Acquired CASBEE Certificates



**Harumi Island  
Triton Square  
Office Tower Z**

Acquired "S Rank"  
as of January 28,  
2015



**Nagoya Prime  
Central Tower**

Acquired "S Rank"  
as of January 26,  
2015



**CS Tower/  
CS Tower Annex**

Acquired "A Rank"  
as of September 5,  
2014



**ORTO  
Yokohama**

Acquired "A Rank"  
as of October 28,  
2015



**Tokyo Nissan  
Nishi-Gotanda  
Building**

Acquired "A Rank"  
as of December 24,  
2015

(Note) CASBEE (The Comprehensive Assessment System for Built Environment Efficiency) is a tool for assessing and rating the environmental performance of buildings built and used in Japan.

## ✓ Acquired DBJ Green Building Certification

### **Ebisu Prime Square**

Acquired 3 stars (Properties with excellent environmental and social awareness)  
as of October 7, 2015

(Note) DBJ Green Building Certification is a certification system that Development Bank of Japan selects and evaluates properties with environmental and social awareness, which is necessary in the current real estate market, based on its comprehensive assessment measure.



## ✓ Invesco Group has been a member of GRESB since 2014

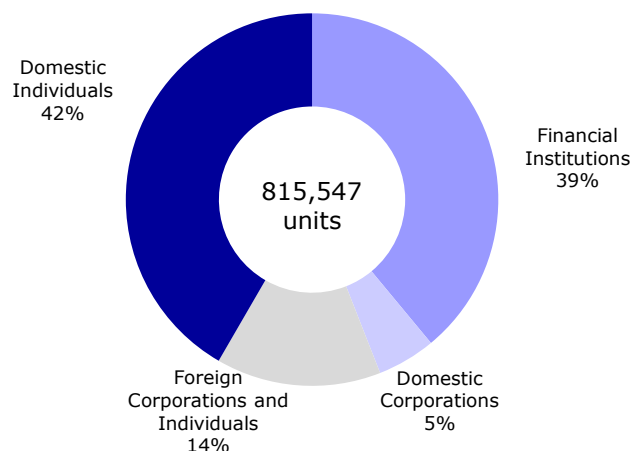
(Note) GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate sustainability performance of private and listed real estate portfolio from environmental and social perspectives.

# Unitholders

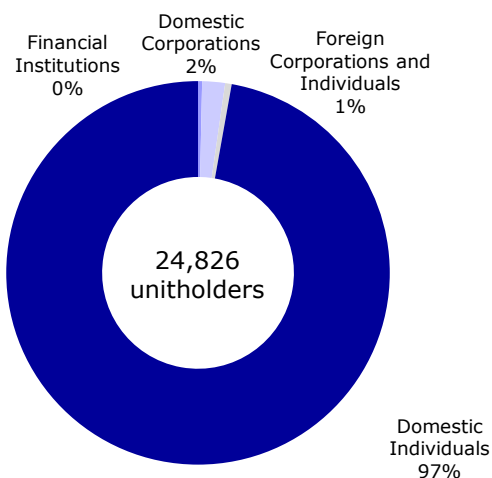
(As of the end of October, 2016)



## Breakdown by Units



## Breakdown by Unitholders



## Major Unitholders

	Unitholders	Units Owned	% of Units Issued (Note.1)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	105,781	12.97
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	53,674	6.58
3	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	52,522	6.44
4	HSBC BANK PLC A/C CLIENTS, NON TREATY 1	20,180	2.47
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	19,591	2.40
6	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	15,087	1.84
7	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	11,961	1.46
8	MSCO CUSTOMER SECURITIES	8,751	1.07
9	CBLDN STICHTING PENSIOENFONDS METAAL EN TECHNIEK	6,949	0.85
10	GMO CLICK Securities, Inc.	5,995	0.73
	<b>Total</b>	<b>300,491</b>	<b>36.84</b>

(Note1) Percentage of units issued is rounded down to the second decimal place.

(Note2) HSBC Bank Plc, as trustee, holds 20,180 units of IOJ in trust for the benefit of Invesco Investments (Bermuda) Ltd. Invesco Limited is the parent company of Invesco Investments (Bermuda) Ltd. and the Asset Management Company. In addition to the above, Invesco Investments (Bermuda) Ltd. holds 4,324 units which they acquired through a public offering in May, 2016.

# Governance

## Strong Alignment of Interest and Robust Corporate Governance



### Fee Structure

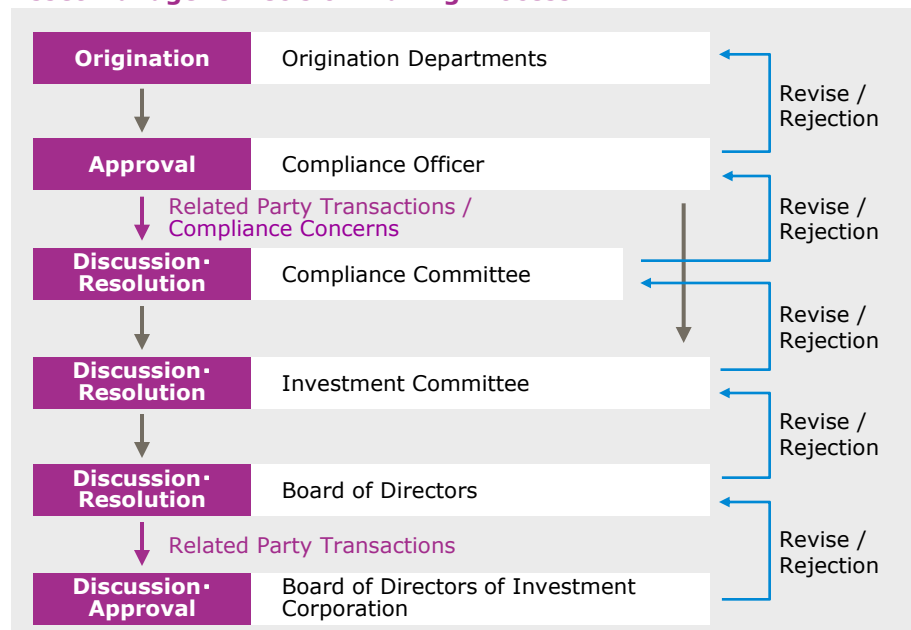
By aligning unitholder interests with those of IGRE through the adoption of an asset management fee structure based on total assets and Adjusted EPU during each business term, investment management is designed to focus on investor interests.

<b>Link to Adjusted EPU</b>	By aligning unitholder interests with those of IGRE with the adoption of a management fee structure linking a portion of asset management fees to Adjusted EPU, the investment management of IGRE is designed to focus on unitholder interests.	
<b>Management Fee (Annual Percentage)</b>	<b>Management Fee</b>	
<b>Amount of Total Assets × 0.45%</b> (maximum percentage)	<b>Adjusted EPU × NOI × 0.00080%</b> (maximum percentage)	
<b>Acquisition Fee</b>	<b>Disposition Fee</b>	
<b>Acquisition Price × 1.00% (maximum percentage)</b> (percentage used on a transaction with a related party: 0.50% (maximum percentage))	<b>Disposition Price × 0.50% (maximum percentage)</b> (percentage used on a transaction with a related party: 0.25% (maximum percentage))	

### Decision Making Process

As the objective of maximizing unitholder interests, IGRE and IOJ will use a multi-tiered decision making process diagrammed below for purposes of property acquisition decisions, management decisions and all other important matters.

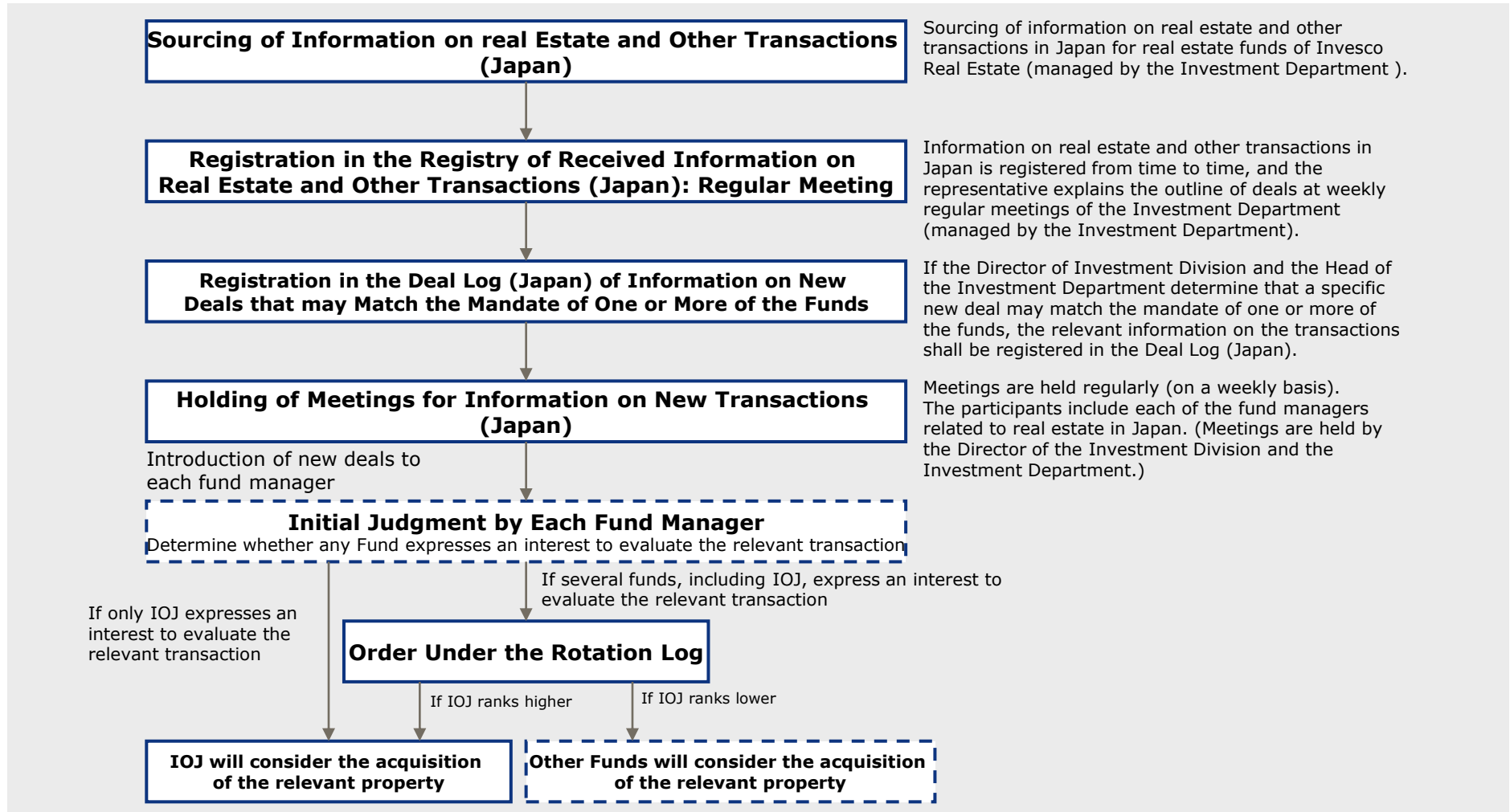
#### Asset Manager's Decision Making Process



#### Elimination of Conflict of Interest Transactions

Among members of the Invesco Group, the only company that engages in the real property-related business in Japan is IGRE. Accordingly, IGRE will have no conflicts of interest with IOJ in Japan in the asset management business, such as brokerage services, property management, building management, etc.

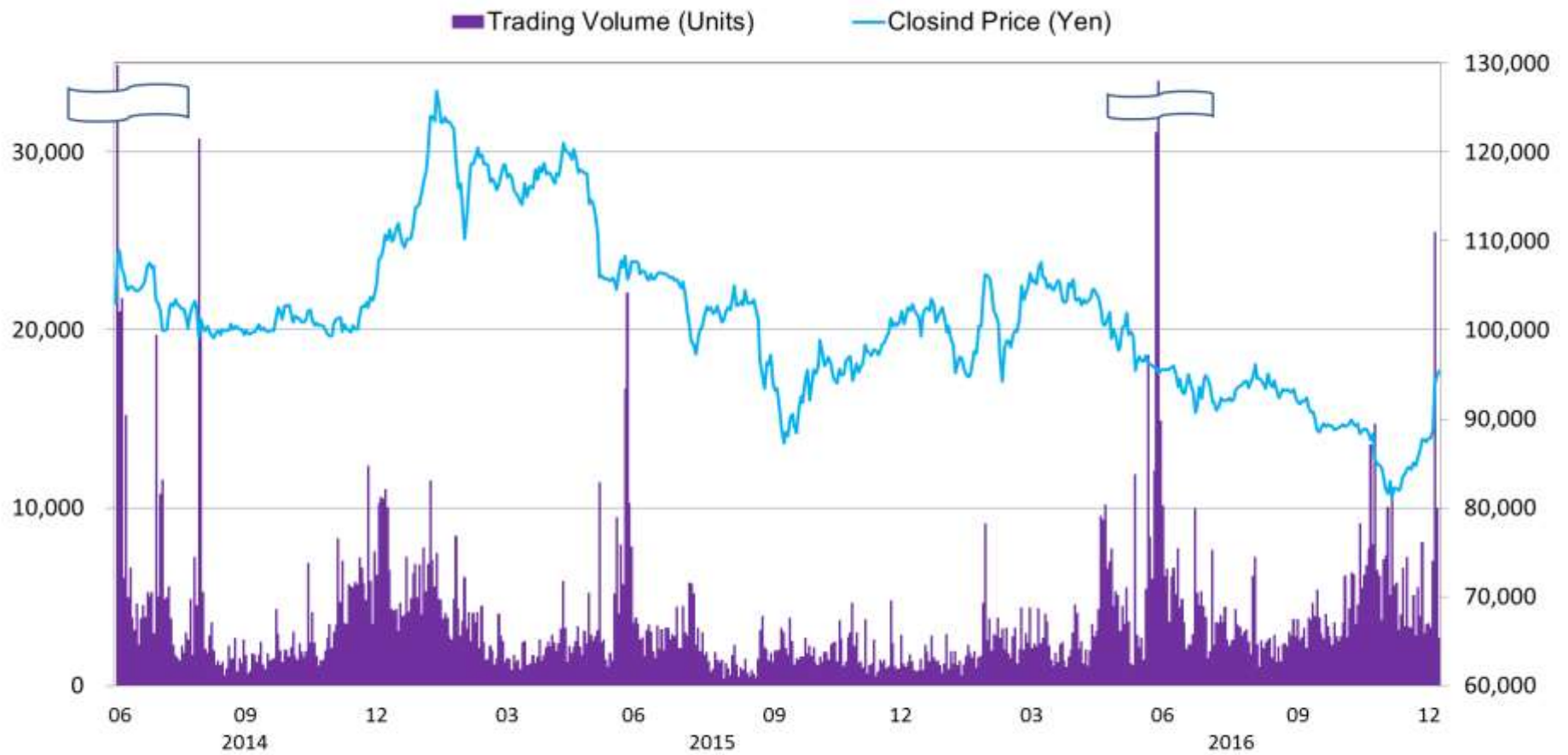
## Asset Manager's Rotation Rules on Information



# Investment Unit Price



## Trends in Investment Unit Price and Trading Volume after IPO







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