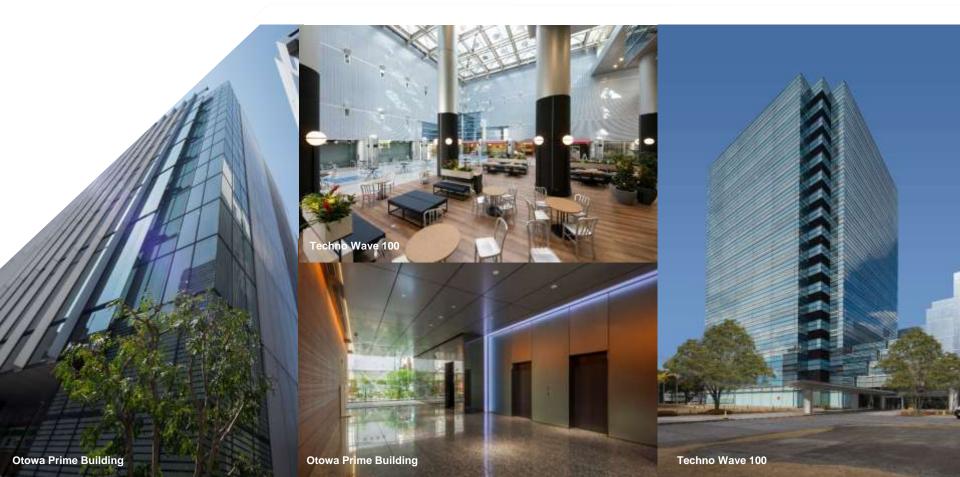


# Invesco Office J-REIT, Inc. (3298) 10th Fiscal Period Ended April 30, 2019

Invesco Global Real Estate Asia Pacific, Inc. June 18, 2019

http://www.invesco-reit.co.jp/en/



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## **About Invesco group**



 Invesco Ltd. (NYSE: IVZ) is a leading independent global investment management firm, dedicated to delivering an investment experience that helps people get more out of life

Client focus

Independent investment management firm

Global presence

- Invesco Real Estate, a business division of the Invesco Group, is one of the largest real estate investment management firms globally
  - ✓ Invesco Real Estate benefits from the firm's exclusive focus on investment management and performance driven culture
  - ✓ Invesco Real Estate offers clients access to a range of global investment strategies spanning from core to opportunistic in the private and public space



## **Highlights**



### Sustainable earnings growth

3.0% stabilized DPU accretion in FP10 (¥373) compared to actual stabilized DPU in FP9 (¥362) 5.8% NAV per unit improvement in FP10 (¥16,490) from FP9 (¥15,591) reflecting appraisal value increase

### Active management delivering strong portfolio performance

Achieved a 98.2% average portfolio occupancy in FP10 Improved portfolio profitability by positive rent revisions in the current strong market

### Disciplined external growth

Acquired two high-quality assets for ¥8.14 billion through public offering Focused on enhancing unitholder value and decreasing investment risks

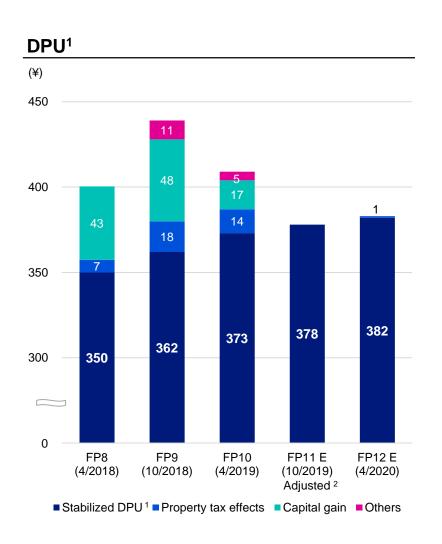
#### Enhanced investor base

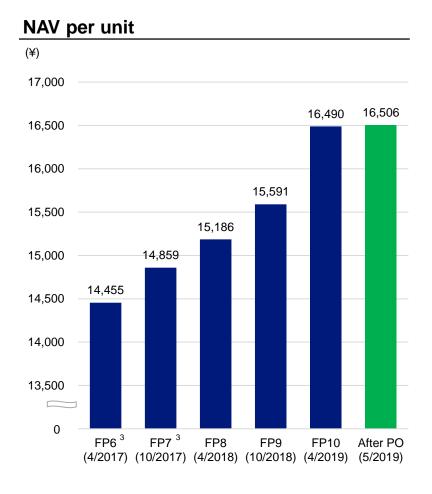
The proportion of investment units held by both domestic and overseas institutional investors has improved to over 80%

## Improvement of stabilized DPU and NAV per unit



Stabilized DPU<sup>1</sup> and NAV per unit have steadily improved





## **Proactive leasing activities**



#### Strong rent growth in Nagoya Prime Central Tower



Walking distance from closest station	8 mins walk from "Nagoya" station on JR Tokaido main line	
Leasable area	17,117.10 sqm	
Acquisition date	June 6, 2014	
Purchase price	¥14,600 million	
Occupancy (4/2019)	95.5%	

#### Tenant concentration reduction in ORTO Yokohama



	Walking distance from closest station	1 min walk from "Shinkoyasu" station on JR Keihin-Tohoku line	
	Leasable area	23,593.92 sqm	
	Acquisition date	June 1, 2015	
	Purchase price	¥13,000 million	
	Occupancy (4/2019)	92.1%	

100% occupancy in May 2019

+5.4% avg. positive rent revision ratio in FP10

+43% for income Growth (773 sqm) **99.9**% occupancy in Sep. 2019

-4.8pt
decrease in a major tenant share

+13% for income Growth (1,864 sqm)

- ✓ Achieved 100% occupancy in May 2019
- ✓ Achieved 5 positive rent revisions with a 5.4% average positive rent revision ratio in FP10
- Replaced an existing tenant with a new lease generating a 43% rent increase through active management

- ✓ Expected to achieve 99.9% occupancy in September 2019
- ✓ The tenant concentration is expected to decrease by 4.8 points from 59.3% to 54.5% due to a major tenant's partial cancellation
- √ 13% income growth is expected as the major tenant's space would be replaced

## **Public offering highlights**

## Acquired 2 high-quality assets for ¥ 8.14bn



■ The public equity offering was successfully completed supported by large demand from both overseas and domestic investors (total demand ratio: 36.4x oversubscribed)

#### **Public offering overview**

#### New assets acquired

	Domestic	Acquisition price Ap	praisal value	NOI yield <sup>1</sup>	NOI yield after depreciation <sup>2</sup>	Occupancy rate <sup>3</sup>		
Offering type	offering (Rimpo	¥ 8,140 mm ¥	8,480 mm	4.6% (4.7%)	3.7% (3.8%)	100%		
type	offering)	Property name	Otow	Otowa Prime Building		Techno Wave 100 (additional acquisition of interest)		
Launch date	May 8, 2019	Pictures			(hrimman)			
Duinium	May 15, 2019	Area	Tokyo metropo	Tokyo metropolitan area (Tokyo 23 wards)		Tokyo metropolitan area (Yokohama city)		
Pricing date		Address	-	inkyo-ku, Tokyo		shi, Kanagawa		
		Acquisition price		¥ 6,830 mm	¥ 1,3	310 mm		
		Appraisal value		¥ 7,070 mm		¥ 1,410 mm		
Offering	size ¥ 4.0 bn	NOI yield <sup>1</sup>		4.0% (4.1%)	7.7%	6 (8.0%)		
SIZE incl. OA		NOI yield after depreciation	IOI yield after depreciation <sup>2</sup> 3.2% (3.3%)		6.4% (6.8%)			
		Walking distance from closest station		2 mins walking distance from the Tokyo Metro Yurakucho Line "Gokokuji" Station				
Acquisition		GFA (a whole building)		5,719.73 sqm kimately1,730 tsubo)		3.88 sqm ely15,000 tsubo)		
date	May 22, 2019	Property characteristics		ilding providing a quiet onment in a strong	Large office building accessibility to publi location with limited	c transportation in a		

Note: Actual yield is shown in parentheses.

## **Public offering highlights**

## Key indicators



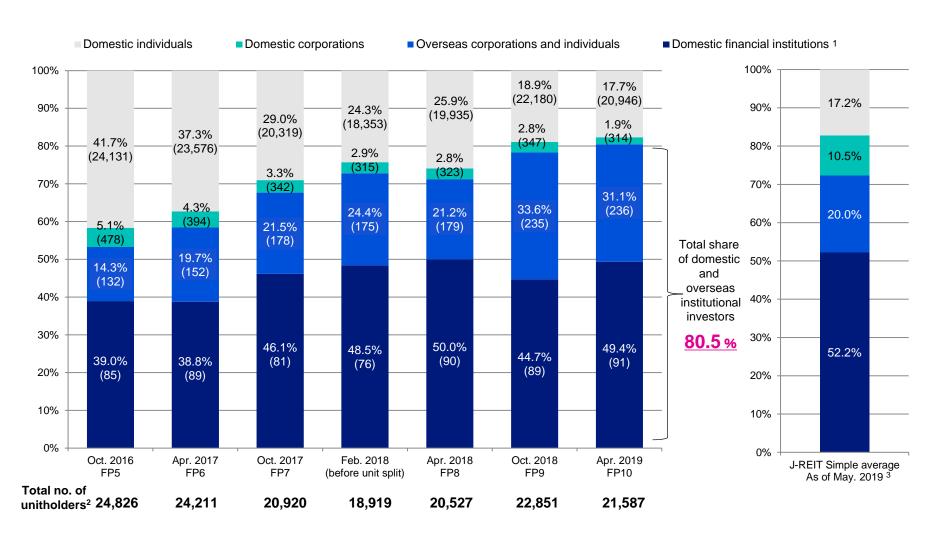
■ Improve financial stability through external growth and portfolio enhancement

	FP9 (10/2018)	FP10 (4/2019)	Acquisitions	After acquisitions and refinance <sup>6</sup>
Stabilized DPU	¥362	¥373	-	¥378
NAV per unit	¥15,591	¥16,490	-	¥16,506
Total acquisition price	¥220.4bn	¥220.1bn	¥8.1bn	¥228.2bn
Total appraisal value	¥251.5bn	¥258.9bn	¥8.4bn	¥267.4bn
Tokyo metropolitan area ratio	85.1%	85.1%	100.0%	85.6%
Average occupancy rate <sup>1</sup>	98.4%	98.2%	100.0%	98.5%
NOI yield <sup>2</sup>	4.9%	5.0%	4.6%	5.0%
NOI yield after depreciation <sup>3</sup>	4.1%	4.1%	3.7%	4.1%
Top 5 tenant ratio (leased area basis)	18.7%	18.7%	-	18.1%
Top 10 tenant ratio (leased area basis)	28.7%	28.6%	-	27.9%
LTV book value 4	49.4%	49.4%	-	49.4%
LTV appraisal value <sup>5</sup>	44.3%	43.0%		43.3%
Average debt remaining years	2.5 years	2.2 years	-	2.5 years
Average interest rate	0.55%	0.56%	-	0.50%

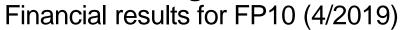
## Widening of investor base



 Continued to increase ownership of units held by domestic and overseas institutional investors as a result of global offering and proactive investor relation initiatives



## Positive earnings variance from recent forecast

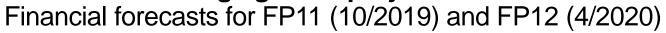




	FP9 (10/2018) Actual	FP10 (4/2019) Forecast (Disclosed on March 20, 2019)	FP10 (4/2019) Actual		
(¥ mm)	(A)	(B)	(C)	(C) – (A)	(C) –(B)
Operating revenue	8,625	8,314	8,341	-284	27
Operating income	4,339	4,033	4,056	-283	23
Ordinary income	3,799	3,496	3,541	-258	45
Net income	3,797	3,494	3,538	-259	44
Units issued & outstanding	8,643,356	8,643,356	8,643,356	0	0
DPU (¥)	439	404	409	-30	5
LTV (%)	49.4	-	49.4	0	-
Total assets	245,448	-	245,768	320	-
Interest bearing debt	121,300	-	121,300	0	-

Earnings variance from recent forecast					
(C) – (A)	(¥mm)	Impact to DPU (¥)			
Increase in rental revenue (Techno Wave 100, Nishi-Shinjuku PS etc.)	32	4			
Decrease in utility income due to a winter season	-90	-10			
Increase in other operating expenses mainly due to cancelation penalty income	34	4			
Decrease in accrued amount of capital gain from Sendai Honcho Bldg. (FP9) and CS Tower Annex (FP10)	-260	-30			
Operating revenue	-284	-33			
Decrease in utility costs due to a winter season	120	14			
Increase in rental expenses by occurring property tax for some assets acquired	-70	-8			
Increase in other operating expenses mainly due to AM fee increase for new assets	-48	-6			
Operating income	-283	-33			
Decrease in non-operating expense mainly due to PO cost	25	3			
Ordinary income	-258	-30			
Net income	-259	-30			
(C) –(B)	(¥mm)	Impact to DPU (¥)			
Increase in utility income	27	3			
Operating revenue	27	3			
Increase in operating expense mainly due to brokerage fee increase	-14	-2			
Decrease in other operating expenses	10	1			
Operating income	23	2			
Increase in non-operating income	3	0			
Decrease in non-operating expense mainly due to PO cost decrease	19	3			
Ordinary income	45	5			
Net income	44	5			

## Continued earnings growth projected





	FP10 (4/2019) Actual	FP11 (10/2019) Forecast	FP12 (4/2020) Forecast		
(¥ mm)	(A)	(B)	(C)	(B) – (A)	(C) –(B)
Operating revenue	8,341	8,584	8,568	243	-16
Operating income	4,056	3,868	3,915	-188	47
Ordinary income	3,541	3,346	3,410	-195	64
Net income	3,538	3,343	3,407	-195	64
Units issued & outstanding	8,643,356	8,899,256	8,899,256	255,900	0
DPU (¥)	409	376	383	-33	7
Stabilized DPU	373	378	382	5	4

ltama	FP10 Act.	FP11 Est.	FP12 Est.
ltems	(4/2019)	(10/2019)	(4/2020)
Cash distribution per unit	409	376	383
Deduction of gain from disposition of CS Tower Annex	-17	-	_
Deduction of the property tax benefit etc.	-14	-1	-1
Adjustment of the penalty charges	-6	-	_
Adjustment of asset management fee	_	-1	_
Adjustment of cost regarding new issue	1	2	_
Adjustment of operation in the FP11 for a whole period	-	2	_
Adjusted DPU	373	378	382

(B) – (A)	(¥mm)
Increase in rental revenue from new acquisitions	239
Increase in rental revenue from existing assets (Nagoya PCT, CS Tower, Sun Towers)	123
Increase in utility income due to a summer season	80
Penalty charges income	-50
Capital gain from CS Tower Annex	-149
Operating revenue	243
Increase in utility costs due to a summer season	-127
Increase in rental expenses by occurring property tax for the assets acquired in 2018	-127
Increase in repair costs	-45
Increase in rental expenses due to new acquisitions	-54
Increase in depreciation expense	-54
Increase in other operating expenses	-24
Operating income	-188
Decrease in non-operating income	-3
Increase in non-operating income mainly due to PO cost	-4
Ordinary income	-195
Net income	-195

(C) –(B)	(¥mm)
Increase in rental revenue (Nishi-Shinjuku PS, ORTO, Shinagawa Seaside)	70
Decrease in utility income due to a winter season	-86
Operating revenue	-16
Decrease in utility costs due to a winter season	114
Increase in rental expenses mainly due to depreciation expense increase	-28
Increase in other operating expenses mainly due to unitholders mtg. to be held	-23
Operating income	47
Decrease in non-operating expense mainly due to PO cost decrease	17
Ordinary income	64
Net income	64

## Independent third-party evaluations



#### **Index inclusion**

IOJ was included in the following indexes as at the end of May 2019

FTSE EPRA/ NAREIT Global Real Estate

**S&P Global Property** 

**GPR 250** 

MSCI Japan (Small Cap)

#### Analyst coverage<sup>1,2</sup>

The following is a list of the analysts making recommendations based on IOJ's business performance

Company	Analyst	Rating	Target price
SMBC Nikko Securities Inc.	Hiroshi Torii	2-Neutral <sup>3</sup>	¥18,500 <sup>3</sup>
Nomura Securities Co., Ltd.	Tomohiro Araki	Buy <sup>4</sup>	¥19,700 <sup>4</sup>
Citigroup Global Markets Japan Inc.	Masashi Miki/ Takashi Hashimoto	Buy <sup>5</sup>	¥18,500 <sup>5</sup>

# **Key facts** As at the end of May 2019



Properties			
No. of properties	19 properties		
Total purchase price	¥ 228.2 bn		
Appraisal value	¥ 267.4 bn		
NOI yield NOI yield after deprecation	5.0 % 4.1 %		
Average total floor area <sup>1</sup>	56,784.83 sqm		
Total leasable area	287,928.32 sqm		
% in Tokyo metropolitan area <sup>2</sup>	85.6 %		
FP10 average occupancy rate	98.2 %		

Financials	
FP11 (10/2019) DPU forecast FP12 (4/2020) DPU forecast	¥ 376 ¥ 383
FP10 FFO per unit <sup>3</sup> FP10 AFFO per unit <sup>4</sup>	¥ 499 ¥ 392
NAV per unit	¥ 16,506
FP10 book value per unit	¥ 12,723
Dividend yield	4.2 %
LTV book value LTV appraisal value	49.4 % 43.3 %
JCR long-term issuer rating (as of November 26, 2018)	A+/ Positive



## Portfolio composition

## As at the end of May 2019



#### Highlights (19 assets)

Purchase price

#### ¥228.2 billion

Average purchase price

¥12.01 billion

Appraisal value

¥267.4 billion

FP10(4/2019) average occupancy rate

98.2%

Average NOI yield1

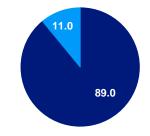
5.0%

Portfolio PML<sup>2</sup>

2.71%

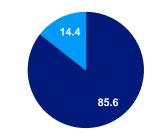
#### Characteristics<sup>3</sup>

By asset type (%)



- Large-scale officesOthers (mid-size offices)
- 89.0% 11.0%

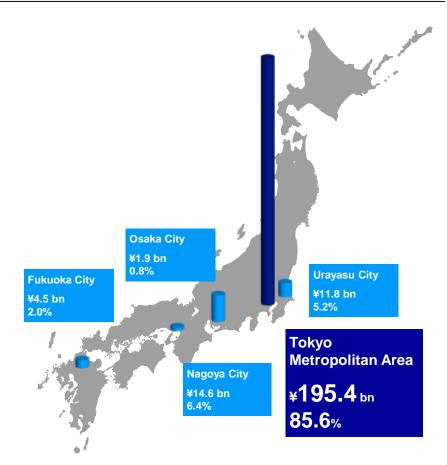
#### By geographic location (%)



- Tokyo Metropolitan Area -Tokyo 23 wards
- -Tokyo 23 wards (Tokyo central 5 wards <sup>4</sup>
- Other Areas

85.6% 69.3% 33.3%) 14.4%

#### Investment ratio by geographic location



## **Portfolio review**

## Invesco

## 19 assets with a total purchase price of ¥ 228.2 billion

Property name	Ebisu Prime Square	Harumi Island Triton Square Office Tower Z <sup>1</sup>	CS Tower <sup>2</sup>	Queen's Square Yokohama	Nagoya Prime Central Tower	Tokyo Nissan Nishi- Gotanda Building
		SOLD				
Location	Tokyo	Tokyo	Tokyo	Yokohama	Nagoya	Tokyo
Purchase price	¥25,014 million	¥9,300 million	¥13,397 million	¥16,034 million	¥14,600 million	¥6,700 million
Property name	ORTO Yokohama	Nishi-Shinjuku KF Building	Shinagawa Seaside East Tower	Akiba CO Building	Sun Towers Center Building	Sendai Honcho Building³
						SOLD
Location	Yokohama	Tokyo	Tokyo	Tokyo	Tokyo	Sendai
Purchase price	¥13,000 million	¥6,600 million	¥25,066 million	¥8,078 million	¥6,615 million	¥5,000 million
Property name	Hakata Prime East	Kinshicho Prime Tower	Aqua Dojima East	Nishi-Shinjuku Prime Square	Kojimachi Crystal City	Prime Tower Shin-Urayasu
Location	Fukuoka	Tokyo	Osaka	Tokyo	Tokyo	Urayasu
Purchase price	¥4,500 million	¥15,145 million	¥1,910 million	¥34,835 million	¥6,405 million	¥11,860 million

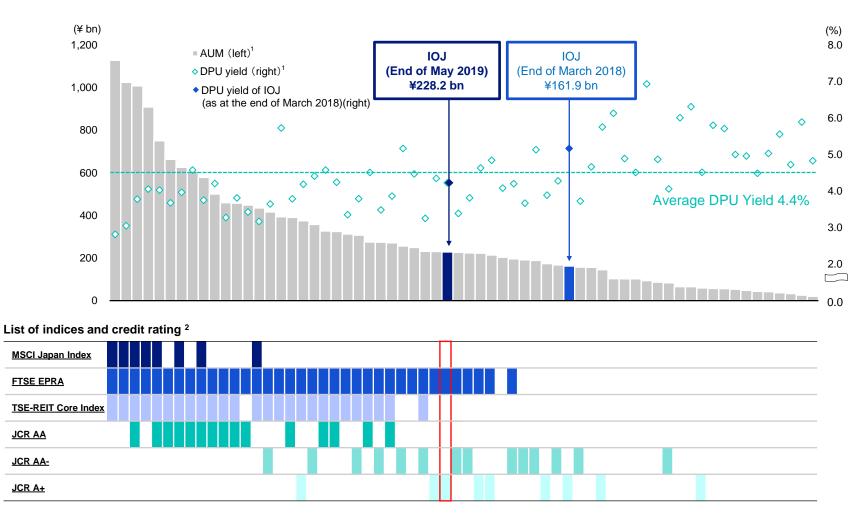
Property name	Techno Wave 100	IBF Planning Building	Otowa Prime Building
	THE PARTY OF THE P		
Location	Yokohama	Tokyo	Tokyo
Purchase price	¥8,210 million	¥3,500 million	¥6,830 million

## **IOJ's positioning in the J-REIT market**

## Invesco

## As at the end of May 2019

■ IOJ's asset size has steadily grown since listing to now be ranked in the middle of all listed J-REITs



Source: The above table and graph are prepared by the asset manager based on disclosure materials released by each of MSCI, Inc., FTSE International Limited and Frank Russell Company

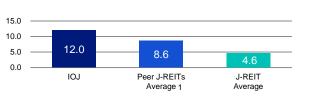
## Peer comparison

## As at the end of May 2019

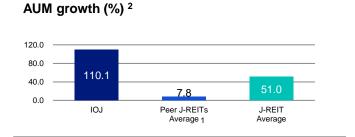




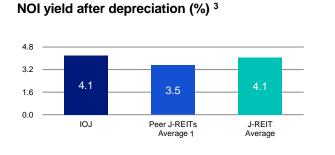




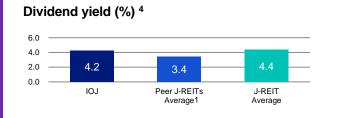
#### Growth







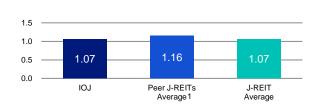
#### Valuation





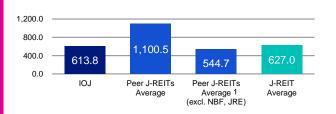


#### P/NAV 6



#### Liquidity

#### Daily trading volume (¥ mm) <sup>7</sup>

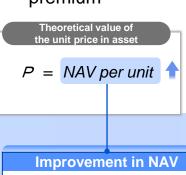


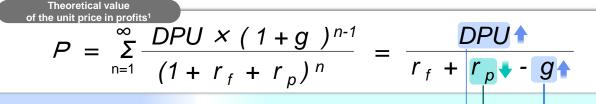


## Various initiatives to further improve IOJ's unit price performance



Aiming for further improvement in valuation by improving investor value and decreasing the risk premium





Change in NAV per unit<sup>2</sup>

+ 14.1 % ¥14,455 → ¥16,490

After PO ¥16.506

Increase in appraisal gain

2.4 x ¥15.3bn → ¥36.0bn

After PO ¥36.3bn

NAV improvement by unit buyback

#### Improvement in profitability

**Change in NOI** 

1.4 x  $\pm$  3.9bn  $\rightarrow$   $\pm$  5.5bn

After PO ¥ 5.6bn

Change in stabilized DPU<sup>2</sup>

+ 19.9 %  $\pm 311 \rightarrow \pm 373$ 

#### Internal growth

Occupancy rate improvement Repair and renovation work Reduction of utility cost **Eco-tuning** 

#### **Expansion in portfolio size**

#### Asset size

1.4 x ¥ 161.9bn → ¥228.2bn After PO

Top 5 tenant ratio

- 6.9 points **25.6%** → **18.7%** 

After PO 18.1%

Top 5 asset ratio

- 6.5 points

**59.2% → 52.7**%

After PO 50.9%

#### Improvement in positioning

#### Increase in institutional investors

The no. of domestic and overseas institutional investors increased by 45% due to proactive asset management

> **221 → 294** (1.3 x)

#### Global index inclusion

Included in FTSE EPRA/NAREIT Global Real Estate Index Series (As of September 24, 2018)

#### Credit rating (JCR)

#### A+ (positive)

(As of November 26, 2018)

**ESG** 

First J-REIT to issue a green bond by using subsidy scheme established by the Ministry of the Environment

Improvement in investor's value (FP6⇒FP10)

Decrease in the risk premium (FP6⇒FP10)

## Forward thinking measures to improve investor value



#### Several initiatives were a first for J-REITs

#### Acquisition and cancellation of own investment units (First case in J-REITs)

#### Overview

- No. of acquired own investment units: 7,640 units (before unit split)
- ✓ Total acquisition price: ¥799,984,693
- Acquisition period: from June 13, 2017 to July 10, 2017
- Cancellation date: August 10, 2017

#### Main resource

 Cash in hand generated from the gap between depreciation expenses and capital expenditure

#### Change in DPU 1

October 2017(FP7) excluding the effect October 2017(FP7) from unit buyback

scheme from the government

Green Bond issue by using a subsidy

#### Change in NAV per unit 1

April 2017(FP6) October 2017(FP7)

First case in J-REITs

¥ 14,455 → ¥ 14,859 +2.8%

Investment unit split resulted in a reduction of the minimum investment unit price level for J-REITs

#### Objective

✓ To broaden IOJ's investor base and improve liquidity by lowering its per unit price through a unit split

#### Overview

- ✓ Split Ratio:8-for-1
- Record Date: February 28, 2018

First case in J-REITs

Effective Date: March 1, 2018

#### Overview

- ✓ Amount issued: ¥5.5bn
- Duration: 5 years
- Interest rate: 0.580%
- Issue date: December 13, 2018
- Redemption date: December 13, 2023
- Second-party opinion provider: Sustainalytics Japan
- Use of proceeds: Allocated to refinance the short term banking loan which IOJ borrowed to acquire an eligible green property, Ebisu Prime Sauare

## Second-party opinion from

environmental evaluation agency



#### Change in number of investors

Feb. 2018 (Before the split)

Oct. 2018 (FP9)

18,919 22,851

#### Online road show for individual investors by using internet

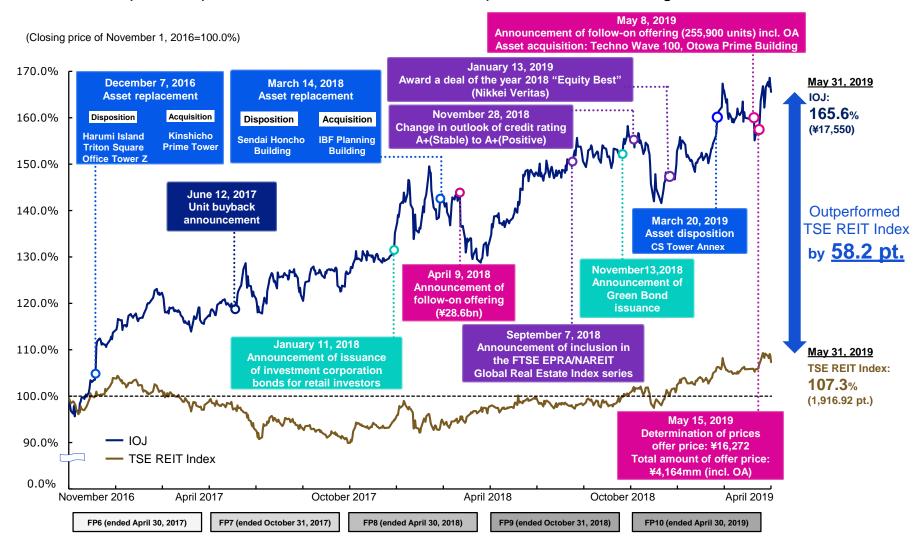
✓ For the public offering conducted in April 2018, IOJ made an online



## IOJ's unit price vs. TSE REIT index<sup>1</sup>



■ IOJ's unit price outperformed TSE REIT index due to proactive asset management

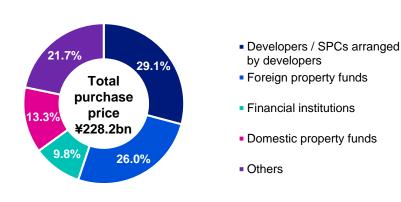


## **Disciplined external growth**



 Steady expansion of the portfolio by leveraging our diverse sourcing network as an independent asset manager

#### Acquisition source ratio (based on purchase price)<sup>1</sup>



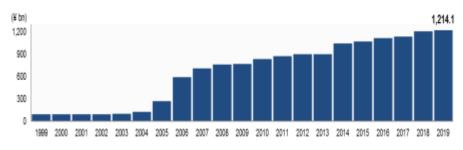
#### Deal sourcing track record<sup>3</sup>

	Tokyo metropolitan area	Others
Office	No. of properties: 118 Size (¥mm) : 700-10,500	No. of properties: 39 Size (¥mm) : 400-13,500
Others	No. of properties: 277 Size (¥mm) : 50-32,000	No. of properties: 172 Size (¥mm) : 500-10,500
Total	No. of properties: 395 Size (¥mm): 50-32,000	No. of properties: 211 Size (¥mm) : 400-13,500
# of LOI <sup>4</sup>	9	0

#### **Investment track record**

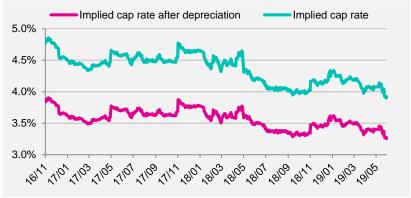
- Cumulative investment amount (since 1999) of approximately ¥1.2 trillion (139 properties)<sup>2</sup>
- Current AUM is approximately ¥386.5 billion (as of May 31, 2019)

## Cumulative investment amount <sup>2</sup>



#### Implied cap rate

✓ IOJ's implied cap rate has decreased reflecting unit price appreciation



## Portfolio occupancy and leasing achievements



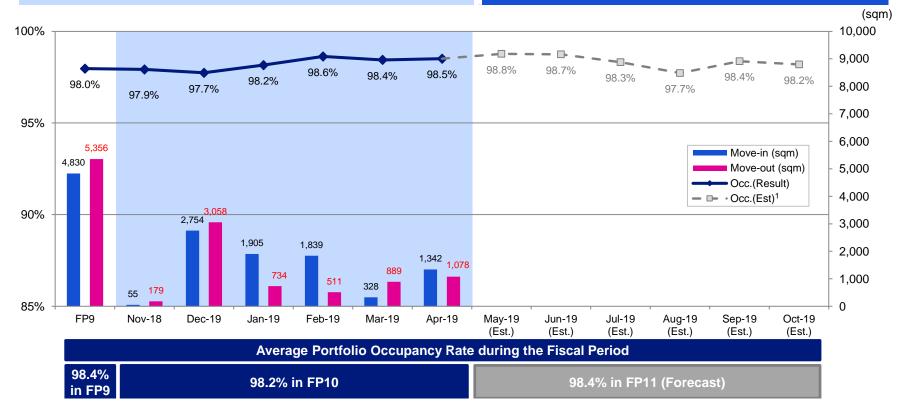
■ FP10 (4/2019) average occupancy rate was 98.2% as a result of proactive leasing activities

#### Leasing achievements (FP10)

- Achieved a 98.5% occupancy at the end of FP10 (4/2019): Result was 0.9points higher than the initial forecast
- The average portfolio occupancy rate in FP10 was maintained at 98.2% due to successful leasing activity at the Sun Towers Center Building and tenant backfilling in Techno Wave 100

#### Leasing policy and occupancy outlook (FP11)

- Focusing on leasing activities at Nishi-Shinjuku KF Bldg.,
   Prime Tower Shin-Urayasu and Techno Wave 100 in FP11
- Aiming to further improve the portfolio occupancy rate through proactive leasing activities from 98.2% in FP10 to 98.4% in FP11



## Disciplined asset management approaches - examples



#### **Techno Wave 100**

 Following the additional acquisition, the high-rise bldg. is now fully owned by IOJ and we expect further improvement in management efficiency including proactive leasing and renovation activities



#### **Nagoya Prime Central Tower**

- Achieved positive rent revisions with 5.4% revision ratio in FP10
- Replaced a new lease with 43% higher rent



#### **ORTO Yokohama**

- Completed a new lease, which is 13% higher than the average rent of the previous tenant
- Due to partial lease cancellations from a major tenant, Fujitsu, Fujitsu's share in this asset is expected to decrease from 59.3% to 54.5% and tenant concentration risk will be mitigated

<Occupancy rate (Estimate)>

**92.1**% As of the end of Dec. 2018



**99.9**% As of Sep. 2019 (Estimate)

#### **Shinagawa Seaside East Tower**

- The hotel name was changed from "Hotel Sunroute Shinagawa Seaside" to "Sotetsu Grand Fresa Shinagawa Seaside" due to hotel brand consolidation
- Turnover rent income from the hotel portion started to be recognized in every fiscal period from FP10 improving the property's cashflow







#### **Reduction of utility cost**

- Expected reduction of utility costs through a contract review and a competitive tender process
  - Sun Towers Center Bldg. (in Feb. 2019)
  - Prime Tower Shin-Urayasu (in Jun. 2019)
  - Kinshicho Prime Tower (in Aug. 2019)

#### **Eco-tuning**

 Introduced an "ecotuning" business model at several assets to reduce CO2 emissions and utility costs by optimizing operations of current facilities and systems

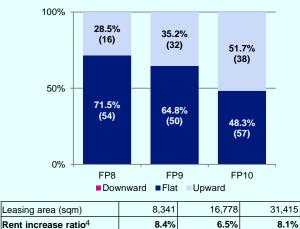
## Further potential for rent growth



Improved portfolio profitability by positive rent revisions in the current strong market

#### Lease renewal status for new tenants (leased area basis)1 Leasing examples (newly move-in spaces / rent increase ratio<sup>2</sup>) FP10 and FP11 ex.Aver. Rent (Left axis) new Aver. Rent (Left axis) (¥/tsubo) Rent Improve % (Right axis) 20,000 20.0% 19,000 10.0% 13.9% 18.000 17,537 0.0% 17,217 16,765 17,000 -10.0% 16.000 15,567 -20.0% 15,240 15,000 -30.0% 13,669 14.000 -40.0% **Nagoya Prime Central Ebisu Prime Square Sun Towers** Center Bldg. **Tower** -50.0% 2,827 sqm / +35% FP10 1,047 sqm / +39.7% FP8 FP9 724 sqm / +5.0%

#### Lease renewal status for existing tenants(leased area basis)3



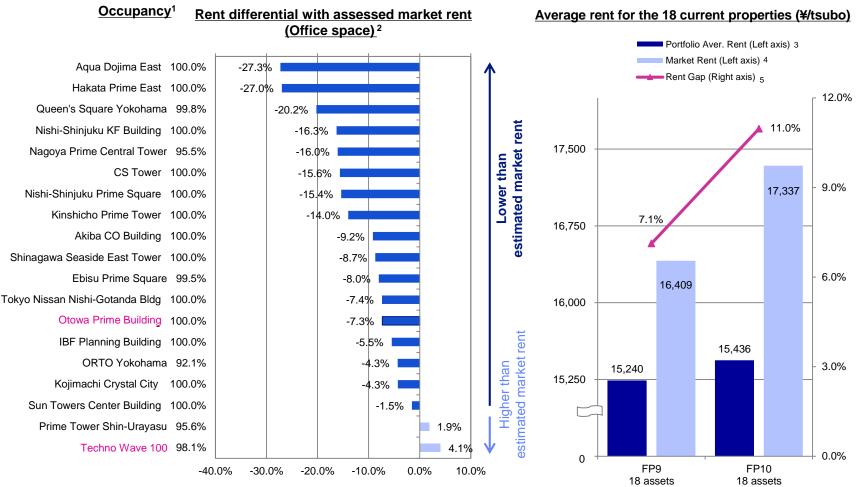
#### Rent negotiation examples (rent increased spaces/rent increase ratio<sup>5</sup>)



## Capitalizing on the positive rent differential for office space



Increase in the difference between the current average portfolio rent and the estimated market rent from 7.1% to 11.0%, providing further potential for rent growth



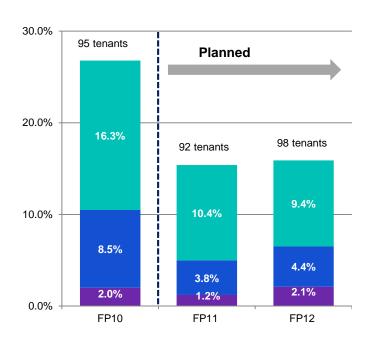
Note: Assets highlighted in red are newly acquired assets.

## Potential for positive rental reversions and rent growth



Actively aiming to increase rent income through reducing the difference between the current rent and the estimated market rent

## Rent difference between in-place rents and market rents (leased area basis)<sup>1</sup>



#### Rent difference

More than 10% below market

Between 10% above and 10% below market

More than 10% above market

Aim to raise rents

Strive to increase or maintain current levels

Focus on maintaining current levels

#### Asset management strategies

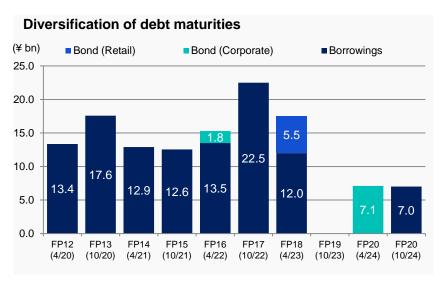
- Improve or maintain a good relationship with tenants through the implementation of renovation works that meet tenant requirements
- Early commencement of rent renewal negotiations considering each tenant's fiscal year end
- Actively aiming to increase rental income through reducing the difference between the current rent and the estimated market rent. Vacating tenants provide an opportunities to increase rents in the current strong market environment
- Proactively diversify tenant concentration when a large tenant leaves or partially terminates its lease

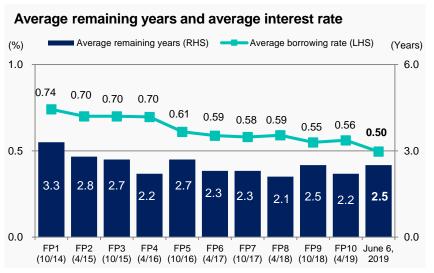
## **Prudent financial management**

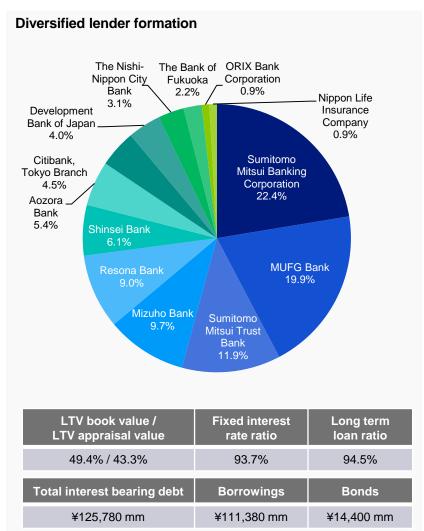
## As at June 6, 2019



Stable financial management through long-term financing and diversified debt sources







## **Progress of medium-term goals**



■ IOJ formulated new medium-term goals in FP9 (10/2018) to achieve a ¥400 - ¥430 stabilized DPU in the medium term (in the next 3 years)

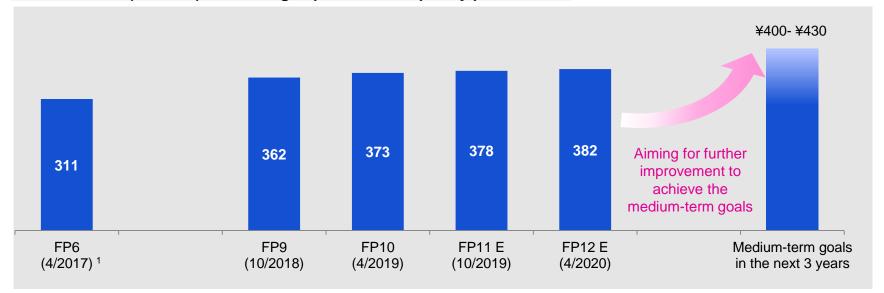
Medium-term goal in the next 3 years

DPU target (stabilized base): ¥400 - ¥430

Adjusted FP12 (4/2020) DPU forecast: ¥382

- Improve portfolio profitability by achieving higher occupancy rates, improving rents and enhancing portfolio quality
- Aiming to achieve 1% DPU growth every fiscal period (2% per year) by internal growth over the next 3 years
- Moreover, additional external growth helps further DPU improvement

#### Stabilized DPU (forecast) eliminating impact from temporary profit or loss

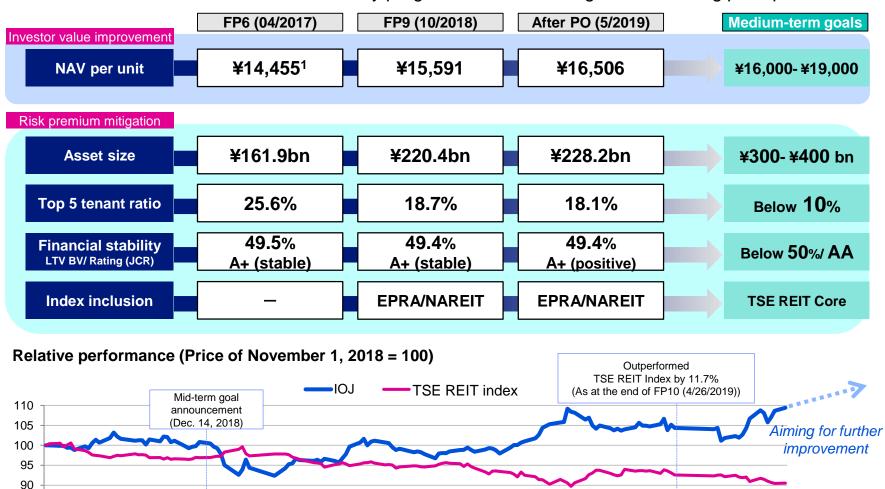


<sup>1</sup> After the 8 for 1 investment unit split adjustment

## **Progress of medium-term goals**



Proactive initiatives have resulted in steady progress to achieve the goals and strong price performance



2019.03

2019.04

2019.05

2018.12

2019.01

2019.02

85 + 80 - 2018.11

<sup>1</sup> After the 8 for 1 investment unit split adjustment

## **ESG** performance

## As at the end of May 2019



#### **GRESB Participation**

GRESB (Global Real Estate Sustainability Benchmark) was established by a group of European pension funds in order to assess the environment, society and governance (ESG) performance of the real estate sector. Invesco Group has been a member of GRESB since 2014. IOJ is preparing to submit to GRESB for the first time in 2019.



#### **Green Building Certifications**



Nagoya Prime Central Tower



Rank S



**Prime Tower** Shin-Urayasu



Rank B+



**CS Tower** 



Rank A



Nishi-Shinjuku KF Building



Rank B+



**ORTO** Yokohama



Rank A



Shinagawa Seaside **East Tower** 



Rank A



**Tokvo Nissan** Nishi-Gotanda



Rank A



Akiba CO Building



Rank B+



Nishi-Shiniuku **Prime Square** 



Rank A



**Ebisu Prime Square** 



3 Stars

38.2%

of the portfolio (by floor area) has achieved a green building certification



## **Top 10 tenants (leased area basis)**



## As at the end of April 2019 (FP10)

## After public offering

	End tenants	Property name	Leased area <sup>1</sup> (sqm)	Ratio of leased area to total leasable area <sup>2</sup> (%)
1	Tokyu Hotels Co., Ltd.	Queen's Square Yokohama	13,506.72	4.9
2	FUJITSU LIMITED	ORTO Yokohama	12,847.62	4.7
3	Sotetsu Hotel Management Co., Ltd.	Shinagawa Seaside East Tower	9,237.18	3.4
4	Yachiyo Engineering Co., Ltd	CS Tower	8,508.28	3.1
5	INTEC INC.	Techno Wave 100	7,183.85	2.6
6	Minatomirai Tokyu Square Corporation	Queen's Square Yokohama	6,395.39	2.3
7	Marvelous Inc.	Shinagawa Seaside East Tower	6,225.70	2.3
8	Good Smile Company	Akiba CO Building	5,514.42	2.0
9	Tokyu Corporation	Queen's Square Yokohama	5,512.59	2.0
10	Sompo Care Inc.	Shinagawa Seaside East Tower	3,753.82	1.4
	Total of top 10 ten	78,685.57	28.6	

	End tenants	Property name	Leased area <sup>1</sup> (sqm)	Ratio of leased area to total leasable area <sup>2</sup> (%)
1	Tokyu Hotels Co., Ltd.	Queen's Square Yokohama	13,506.72	4.8
2	FUJITSU LIMITED	ORTO Yokohama	12,847.62	4.5
3	Sotetsu Hotel Development Co., Ltd. <sup>3</sup>	Shinagawa Seaside East Tower	9,237.18	3.3
4	Yachiyo Engineering Co., Ltd	CS Tower	8,508.28	3.0
5	INTEC INC.	Techno Wave 100	7,262.58	2.6
6	Minatomirai Tokyu Square Corporation	Queen's Square Yokohama	6,395.39	2.3
7	Marvelous Inc.	Shinagawa Seaside East Tower	6,225.70	2.2
8	Good Smile Company	Akiba CO Building	5,514.42	1.9
9	Tokyu Corporation	Queen's Square Yokohama	5,512.59	1.9
10	Not disclosed <sup>4</sup>	Otowa Prime Building	4,200.08	1.5
	Total of top 10 ten	79,210.56	27.9	

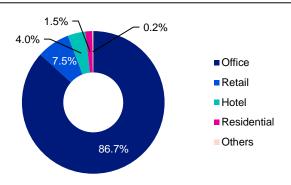
## Revenue compositions

## As at the end of April 2019



- Office, retail and hotel rents comprise approximately 98.2% of total revenue
- Upward rent revision opportunities for office occur every 2.6 years

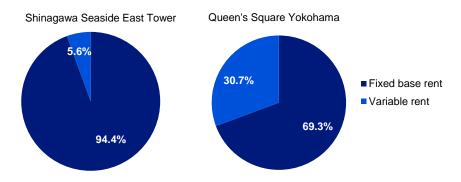
#### FP10 revenue breakdown by asset type



Asset type	% to total rent revenue	Leased area (sqm)	Average lease term
Office	86.7%	222,569.02	2.6 years
Retail	7.5%	23,518.98	6.9 years
Hotel <sup>1</sup>	4.0%	22,743.90	20.0 years
Residential	1.5%	4,360.65	2.7 years
Others	0.2%	1,766.03	4.4 years
Total	100.0%	274,958.57	4.4 years

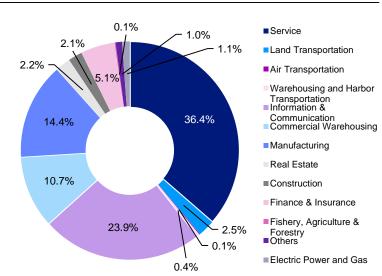
#### Hotel rent revenue breakdown

#### Fixed rent income from 2 hotels was 4.0% of total rent revenue in FP10



Rent type	% to total rent revenue
Fixed base rent	83.3%
Turnover rent	16.7%
Total	100.0%

#### Allocation by industry (Leased area basis)<sup>1</sup>



# **Green bond issuance**



■ IOJ represents the first J-REIT to issue green bonds using the subsidy scheme

Overview of Issuance			
Items	Outline		
Amount Issued	¥5.5 billion		
Duration	5 years		
Interest rate	0.580%		
Issue date	December 13, 2018		
Redemption date	December 13, 2023		
Second-party opinion provider	Sustainalytics Japan		

## **Eligible Green Projects**

- 1. Buildings that have achieved certification or recertification
  - ✓ B+, A or S under CASBEE
  - √ 3, 4 or 5 Stars under the DBJ Green Building Certification Program
- 2. Buildings that reduce CO2 emission by more than the required reduction rate (which was set by the authority) compared to the standard emissions volume (also set by the authority) during the most recent fiscal year
- 3. Refurbishment
  - ✓ More than 10% CO2 emissions or energy consumption reduction
  - ✓ More than 10% in water consumption reduction
  - More than one level of improvement in the CASBEE Certification or DBJ Green Building Certification

### **Use of Proceeds**



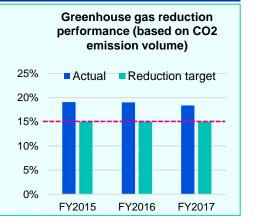
Ebisu Prime Square



3 stars

Properties with excellent environmental and social awareness (Recertification date: February 28, 2019)

- □ Proceeds used to refinance the short-term banking loan which IOJ borrowed to acquire an eligible green property, Ebisu Prime Square ("Ebisu")
- □ For the most recent fiscal year, Ebisu reduced CO2 by more than 15% (based on CO2 emission volume), which is a greenhouse gas reduction target set by Tokyo Metropolitan Government as offices designated for global warming countermeasures. Ebisu achieved 3 stars of DBJ Green Building Certification Program.



# ESG efforts Earth Day/ Earth Hour 2019



- In celebration of Earth Day (started on April 22, 1970), IOJ joined millions of people across the globe in switching off the lights of our 10 managed properties for one hour as part of Earth Hour conducted on March 30, the world's largest grassroots movement for the environment.
- Earth Hour 2019 seeks to spark conversations on the interconnectivity of climate change with biodiversity and people. By taking part in this global "Switch Off" event, we acknowledged our commitment to personal and operational actions to change climate change.
- We also recognize there is more we can do beyond the event to help drive awareness and action for our planet. Through our <u>environmental program efforts</u>, IOJ properties will continue to recycle paper and other waste, reduce consumption of natural resources, conserve energy, and allow us to waste less to reduce our ecological footprint.







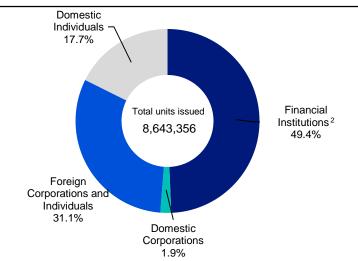


# **Unitholders**

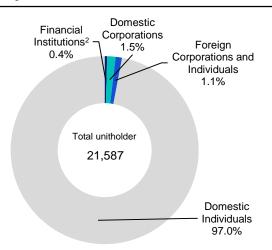
# As at the end of April 2019 (FP10)



# Breakdown by units<sup>1</sup>



# Breakdown by unitholders<sup>1</sup>



# **Major unitholders**

	Unitholders	Units owned	% of units issued <sup>3</sup>
1	The Master Trust Bank of Japan, Ltd. (trust account)	1,399,756	16.19
2	Japan Trustee Services Bank, Ltd. (trust account)	1,343,766	15.54
3	The Nomura Trust and Banking Co., Ltd. (investment trust account)	354,740	4.10
4	HSBC BANK PLC A/C CLIENTS, NON TREATY 1 <sup>4</sup>	261,435	3.02
5	Trust & Custody Services Bank, Ltd. (securities investment trust account)	236,848	2.74
6	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	183,010	2.11
7	STATE STREET BANK WEST CLIENT- TREATY 505234	164,286	1.90
8	SSBTC CLIENT OMNIBUS ACCOUNT	139,788	1.61
9	J.P. MORGAN BANK LUXEMBOURG S.A. 380578	118,243	1.36
10	DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	111,429	1.28
	Total	4,313,301	49.90

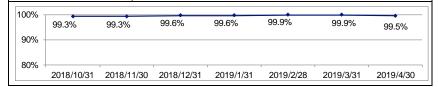
# FP10 (ended April 30, 2019)



(B)-(A)

Ebisu Prime Square	Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
ALC: N	99.3%	99.5%	0.3%
AVAN	Move-in area (C)	Move-out area (D)	(C)-(D)
	863 m <sup>2</sup>	818 m <sup>2</sup>	45 m <sup>2</sup>
STOLEN SHOW THE STOLEN			

- The occupancy rate of the office unit remained at 100%. Although several tenants moved out, the occupancy rate of the residential units remained at 99.5% at the end of FP10 (4/2019).
- In FP11 (10/2019), the office-unit vacancy will be backfilled at a higher rent.
   IOJ aims on an early lease-up of a shop unit that will be vacant in FP12 (4/2020).



Queen's	s Square Yoko	ohama t	Occupancy rate at the end of Oct. 2018 (A)		ccupancy rate at end of Apr. 2019 (E	3)	(B)-(A)
			99.8%		99.8%		0.1%
	8=	_	Move-in area (C)	Me	ove-out area (D)		(C)-(D)
	4	mma	120 m²		96 m <sup>2</sup>		24 m
IOJ maintained a high occupancy rate of 99.8% at the end of FP10 (4/20 In addition, IOJ successfully raised the rents for several existing tenants through negotiations, and the hotel occupancy trend remained firm.  In FP11 (10/2019), IOJ will continuously focus on maintaining the high occupancy rate and raising rents through negotiations with existing tenants.							
101		· In	FP11 (10/2019), IC	J will conti	nuously focus	on maintaining	the high
100%		· In	FP11 (10/2019), IC	J will conti	nuously focus	on maintaining	the high
100%	99.8%	· In	FP11 (10/2019), IC ccupancy rate and r	J will conti	nuously focus	on maintaining	the high
95%	99.8%	· In	FP11 (10/2019), IC ccupancy rate and r	J will conti	nuously focus of through nego	on maintaining tiations with exi	the high sting tenants.

CS Tower			Occupancy rate a the end of Oct. 2018		Occupancy rate at e end of Apr. 2019 (E	3)	(B)-(A)
		4	100.0%		100.0%		0.0%
	4		Move-in area (C	C) N	Nove-out area (D)		(C)-(D)
			0 m²		0 m²		0 m²
		- t	For the office unit, IOJ successfully raised rents for five existing tenants thorugh negotiations.     IOJ sold the residential unit in FP10 (March 2019). IOJ rents the office unit only, and achieved 100% occupancy rate.				
100% -			•	-			•
	100.0%	99.8%	99.8%	99.8%	99.8%	100.0%	100.0%
95%	95%						
90% -							
3078	2018/10/31	2018/11/30	2018/12/31	2019/1/31	2019/2/28	2019/3/31	2019/4/30

		t	he end of Oct. 2018 (/	A) IIIC	end of Apr. 2019 (B	7	
		,-4	99.6%		95.5%		-4.2%
			Move-in area (C) Move-out area (D)			(C)-(D)	
d bradle			63 m <sup>2</sup>		774 m <sup>*</sup>		-711 m <sup>2</sup>
As a tenant left, the occupancy rate at the end of FP10 (4/2019) lowered to 95.5%. However, IOJ successfully signed a new lease at 42.9% higher rer than the previous tenant. IOJ also successfully raised the rents of five exist tenants, which include two of the top five existing tenants.  In FP11 (10/2019) that starts off with 100% occupancy rate, IOJ plans to maintain the high occupancy rate and will continuously aim to raise the rer						% higher rent	
à	A MIL	·In ma		that starts off		upancy rate, IC	
100%		•In ma th	aintain the high o rough negotiation	that starts off occupancy rate ns.	e and will contir	upancy rate, IC	
100% -	99.6%	·In ma	aintain the high o	that starts off		upancy rate, IC	

Occupancy rate at

Occupancy rate at

Nagoya Prime Central Tower

# FP10 (ended April 30, 2019)

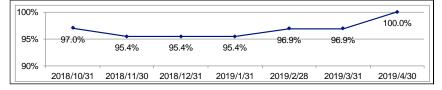


Tokyo Nissan Nishi-Gotanda Building	Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019		(B)-(A)		
	100.0%	100.0%		0.0%		
	Move-in area (C)	Move-out area (D	))	(C)-(D)		
	0 m²	0 m²		0 m²		
	through negotiations IOJ plans on the early	IOJ maintained a 100% occupancy rate and successfully raised the rents through negotiations with existing tenants.      IOJ plans on the early lease-up of the upcoming termination of an office-unit contract in October that will lower the occupancy rate to 94% in FP11 (10/2019).				
100%	•	•	•	•		
100.0% 100.09	% 100.0%	100.0% 100.0%	100.0%	100.0%		
95%						
90%		T.				
2018/10/31 2018/11	/30 2018/12/31 2	019/1/31 2019/2/28	2019/3/31	2019/4/30		

Nishi-Shinjuku KF Building
160
100 M
Tarrett B. B. B.

Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
97.0%	100.0%	3.0%
Move-in area (C)	Move-out area (D)	(C)-(D)
288 m²	98 m²	190 m²

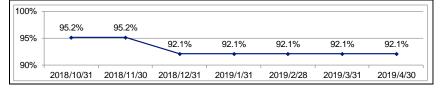
- Despite the termination of the contracts for two residential units in FP10 (4/2019), IOJ successfully backfilled all of the new and existing vacant units; the occupancy rate reached 100%. In addition, IOJ raised the rents of several existing tenants through active negotiations.
- As the upcoming expirary of the office units will lower the occupancy rate to 82.7% in December 2019, IOJ will plan on the early lease-up of the space.



ORTO Yokohama	Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
	95.2%	92.1%	-3.1%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 m²	723 m²	-723 m²
	with partial termination on the new tenant that will go	y rate dropped to 92.1% at to of the office-unit contracts, I effective in September 2019 in FP11(10/2019). In addition	OJ signed a lease with a . The occupancy rate is

tenant is 13% higher than the previous one.

In FP11 (10/2019), IOJ will continue to maintain the good relationships with the major tenants.



Shinagawa Seaside East Tower	the end of Oct. 2018 (A)	the end of Apr. 2019 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 m²	0 m²	0 m²
	successfully raised the re through efficient negotia	pancy rate at 100% in FP10 ents for two existing tenants tions. Hotel operations also will leave in FP11 (10/2019	s at a rent renewal timing or remained strong.
100%	•	•	•
100.0% 100.09	% 100.0% 100	.0% 100.0% 1	00.0% 100.0%
95%			
90%			

2019/1/31

2019/2/28

2019/3/31

2019/4/30

2018/10/31 2018/11/30 2018/12/31

# FP10 (ended April 30, 2019)



Akiba CO Building		ng	Occupancy rate at the end of Oct. 2018		Occupancy rate at end of Apr. 2019 (I	3)	(B)-(A)
			100.0%		100.0%		0.0%
			Move-in area (C	C) N	Nove-out area (D)		(C)-(D)
			0 m <sup>2</sup>		0 m²		0 m²
			•IOJ will aim to continuously conduct a stable asset management by maintaining a good relationship with the tenant occupying the whole building.				
100% -	•	•	•	•	•	•	-
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
95% -							
90% -	2018/10/31	2018/11/30	2018/12/31	2019/1/31	2019/2/28	2019/3/31	2019/4/30

Hakata Prime East		st	Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019 (	В)	(B)-(A)				
			100.0%	100.0%		0.0%				
	.489	<b>A</b>	Move-in area (C)	Move-out area (D)	)	(C)-(D)				
		000	0 m²	0 m²		0 m²				
	ub. N	s to	successfully raised the op five existing tenan as one contract is exp he early lease-up and	e rents of four existing te ts. ected to be terminated in d will continuously aim to	IOJ maintained the occupancy rate at 100% in FP10 (4/2019) and successfully raised the rents of four existing tenants, which include two complete to prive existing tenants.      As one contract is expected to be terminated in FP11 (10/2019), IOJ plant the early lease-up and will continuously aim to raise the level of rents through the existing tenants.					
100%										
100%	<b>—</b>	•	•	•	•	•				
100%	100.0%	100.0%	100.0% 10	00.0% 100.0%	100.0%	100.0%				
90%	100.0%	100.0%	100.0% 10	00.0% 100.0%	100.0%	100.0%				
	100.0%	100.0%	100.0% 10	00.0% 100.0%	100.0%	100.0%				

Sun Towers Center Building	Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
of Ch.	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	2,827 m²	2,610 m²	217 m²
A LONG	in the vacant space at a IOJ will maintain the occ negotiations, IOJ will air (Note) As a tenant left, the bu	at the end of November 201 much higher rate without desupancy rate at 100% in FP n to increase the average resilding's leasble area is different area, and NRA are also different area.	owntime. 11 (10/2019) and through ents. t from FP9 (10/2018). As a
100% 100.0% 100.0	% 100.0% 100	1.0% 100.0% 1	00.0% 100.0%

95%

2018/10/31 2018/11/30 2018/12/31

Kinshicho Prime Tower		ver	Occupancy rate at the end of Oct. 2018 (A)			Occupancy rate at the end of Apr. 2019 (B)		(B)-(A)		
		100.0%			100.0%			0.0%		
				Move-in area (C	)	М	ove-out area (D	)		(C)-(D)
				0 m <sup>2</sup>			0 m <sup>2</sup>			0 m²
			su no hi		ed the re y a tena ut the de usly aim	ents of nt, IOJ owntime to rais	two existing to successfully f e. e the level of r	enants illed ir ents t	s. Although the vacar hrough ne	IOJ received a nt space at 6 % gotiations with
100% -		-		•					•	
	100.0%	100.0	1%	100.0%	100.	0%	100.0%	1	00.0%	100.0%
95% -	95%									
90% 2018/10/31 2018/1:		1/30 2018/12/31 2019		2019	0/1/31 2019/2/28 20		19/3/31 2019/4/30			
	2010/10/01	2010/1	1700	2010/12/01	2010/	1,01	2010/2/20		10,0,01	2010/4/00

2019/1/31

2019/2/28

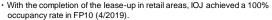
2019/3/31

2019/4/30

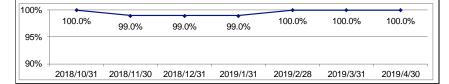
# FP10 (ended April 30, 2019)



Aqua Dojima East	Occupancy rate at the end of Oct. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
	100.0%	100.0%	0.0%
and the same of th	Move-in area (C)	Move-out area (D)	(C)-(D)
	32 m²	32 m²	0 m <sup>2</sup>
The state of the s	VACIAL ALSO SOCIETATION OF ALL	- I	21



- IOJ also successfully raised the rents of four existing tenants through negotiations.
- In FP11 (10/2019), IOJ will continuously negotiate with the tenants to raise the level of rents.

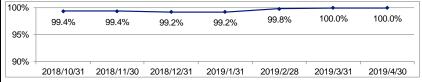


Kojimachi Crystal City	1	Occupancy Rate at the end of May. 2018 (A)		Occupancy rate at the end of Apr. 2019 (B)		(B)-(A)
		100.0%		100.0%		0.0%
		Move-in area (C)	М	ove-out area (D)		(C)-(D)
		0 m <sup>2</sup>		0 m²		0 m²
	-10	OJ has maintained	the 100% o	ccupancy rate s	ince June 201	8.
	•In FP11 (10/2019), IOJ will aim to raise rents through negotiations with tenants with lower rents compared to the market.					ions with
100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
95%						
90%		T				
2018/10/31 20	18/11/30	2018/12/31 2	019/1/31	2019/2/28	2019/3/31	2019/4/30

Nishi-Shinjuku Prime Square	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
40	99.4%	100.0%	0.6%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	179 m <sup>2</sup>	39 m²	140 m²
	•IOJ maintained a 100% or raised the rents of three e	occupancy rate in FP10 (4/2	019) and successfully

		_
negotiations.		

In FP11 (10/2019), IOJ will continuously aim to raise the level of rents through

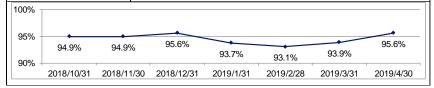


Prime Tower Shin-Urayasu	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
STATE OF THE PARTY	94.9%	95.6%	0.7%
	Move-in area (C)	Move-out area (D)	(C)-(D)
- C	1,038 m	801 m <sup>2</sup>	237 m <sup>2</sup>



In FP10 (4/2019), IOJ completed five lease-ups and achieved the occupancy rate of 95.6%. In FP11 (10/2019), IOJ will continue to focus on leasing activity and the early lease-up. Through negotiations, IOJ will aim to raise the rents of tenants with lower rents compared to the market.

(Note) In FP10 (4/2019), as IOJ started counting the service center space as the available space, the total rental space increased.

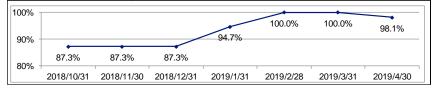


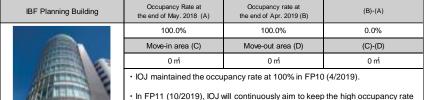
# FP10 (ended April 30, 2019)



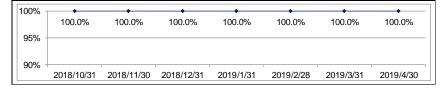
Techno Wave 100	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2019 (B)	(B)-(A)
69.7	87.3%	98.1%	10.9%
8	Move-in area (C)	Move-out area (D)	(C)-(D)
	2,814 m <sup>2</sup>	410 m <sup>2</sup>	2,405 m <sup>2</sup>
	L ED40 (4(0040) II		2 424

- In FP10 (4/2019), the occupancy rate improved to 98.1% as an existing tenant expanded its floor areas, and IOJ successfully sealed a contract for one vacant unit. IOJ also continued on the ongoing refurbishment of the communal area and finished the lobby entrance renovation.
- In FP11 (10/2019), the occupancy rate is expected to decrease to 94.4%, therefore, IOJ will aim to facilitate the lease-up and improve the satisfaction of existing tenants through ongoing renovation of the communal area.





 In FP11 (10/2019), IOJ will continuously aim to keep the high occupancy rate by maintaining good relationships with the major tenants.



# **Portfolio information**

# As at the end of April 2019



### Portfolio details

	Property name	Location	Purchase price (¥mm)	Appraisal value (¥mm)	Leasable area (sqm)	Investment ratio (%)	Age (Years)	NOI yield <sup>1</sup> (%)	Occupancy (%)	PML (%)
1	Ebisu Prime Square	Shibuya-ku, Tokyo	25,014	28,910	17,354.67	11.0	22	4.4	99.5	2.35
3	CS Tower	Taito-ku, Tokyo	13,397	18,700	19,015.69	5.9	28	6.3	100.0	3.21
4	Queen's Square Yokohama	Yokohama-shi, Kanagawa	16,034	19,600	41,954.39	7.0	22	6.3	99.8	2.96
5	Nagoya Prime Central Tower	Nagoya-shi ,Aichi	14,600	21,100	17,117.10	6.4	10	5.7	95.5	3.61
6	Tokyo Nissan Nishi Gotanda Building	Shinagawa-ku, Tokyo	6,700	7,950	8,522.42	2.9	29	5.4	100.0	7.14
7	ORTO Yokohama	Yokohama-shi, Kanagawa	13,000	15,000	23,593.92	5.7	18	6.2	92.1	4.94
8	Nishi Shinjuku KF Building	Shinjuku-ku, Tokyo	6,600	7,830	6,287.78	2.9	26	4.1	100.0	5.03
9	Shinagawa Seaside East Tower	Shinagawa-ku, Tokyo	25,066	28,200	27,892.63	11.0	15	4.9	100.0	4.94
10	Akiba CO Building	Chiyoda-ku, Tokyo	8,078	9,590	5,514.42	3.5	19	3.8	100.0	6.18
11	Sun Towers Center	Setagaya-ku, Tokyo	6,615	8,040	8,005.61	2.9	27	5.1	100.0	0.96
13	Hakata Prime East	Fukuoka-shi, Fukuoka	4,500	4,980	7,018.05	2.0	27	5.0	100.0	1.56
14	Kinshicho Prime Tower	Koto-ku, Tokyo	15,145	17,200	17,606.11	6.6	25	4.9	100.0	2.79
15	Aqua Dojima East	Osaka-shi, Osaka	1,910	2,160	3,189.68	0.8	26	5.0	100.0	7.37
16	Nishi Shinjuku Prime Square	Shinjuku-ku, Tokyo	34,835	38,400	23,591.23	15.3	30	4.0	100.0	4.88
17	Kojimachi Cristal City	Chiyoda-ku, Tokyo	6,405	7,250	5,741.61	2.8	27	4.5	100.0	3.63
18	Prime Tower Shinurayasu	Urayasu-shi, Chiba	11,860	13,000	22,329.36	5.2	29	4.6	95.6	4.56
40	Taskus Ways 400	Yokohama-shi,	6,900	7,330	22,085.89	2.0	20	6.3	00.4	
19	Techno Wave 100	Kanagawa	1,310	1,410	4,422.43	3.6	29	7.7	98.1	6.80
20	IBF Planning Building	Shibuya-ku, Tokyo	3,500	3,680	2,311.45	1.5	11	4.0	100.0	4.82
21	Otowa Prime Building	Bunkyo-ku, Tokyo	6,830	7,070	4,373.90	3.0	11	4.0	100.0	4.07
	Total		228,299	267,400	287,928.32	100.0	23	5.0	98.5	2.71

Note: Assets highlighted in red are newly acquired assets.

# **Portfolio information**



# Appraisal value overview

		Purchase		FP10 End (ended April 30, 2019)						End er 31, 2018)
	Property name	price (¥ mm)	Appraisa (¥ mm		Direct cap i	rate (%) (c)	Book value	Unrealized gain/ loss	Appraisal value	Direct cap
				(a)-(b)		(c)-(d)	(¥ mm)	(¥ mm)	(¥ mm)(b)	rate (%)(d)
1	Ebisu Prime Square	25,014	28,910	1,078	3.3	-0.1	25,359	3,551	27,832	3.4
2	CS Tower	13,397	18,700	700	4.2	-0.1	13,589	5,111	18,000	4.3
3	Queen's Square Yokohama	16,034	19,600	200	4.3	0.0	15,950	3,650	19,400	4.3
4	Nagoya Prime Central Tower	14,600	21,100	1,300	4.2	-0.1	13,906	7,194	19,800	4.3
5	Tokyo Nissan Nishi Gotanda Building	6,700	7,950	280	3.8	-0.1	6,857	1,093	7,670	3.9
6	ORTO Yokohama	13,000	15,000	400	4.6	-0.1	12,738	2,262	14,600	4.7
7	Nishi Shinjuku KF Building	6,600	7,830	670	3.6	-0.1	6,828	1,002	7,160	3.7
8	Shinagawa Seaside East Tower	25,066	28,200	900	3.7	-0.1	24,958	3,242	27,300	3.8
9	Akiba CO Building	8,078	9,590	10	3.5	0.0	8,278	1,312	9,580	3.5
10	Sun Towers Center	6,615	8,040	270	4.0	-0.1	6,795	1,245	7,770	4.1
11	Hakata Prime East	4,500	4,980	150	4.5	-0.1	4,527	453	4,830	4.6
12	Kinshicho Prime Tower	15,145	17,200	600	4.0	-0.1	15,480	1,720	16,600	4.1
13	Aqua Dojima East	1,910	2,160	100	4.0	-0.1	1,950	210	2,060	4.1
14	Nishi Shinjuku Prime Square	34,835	38,400	100	3.6	0.0	36,424	1,976	38,300	3.6
15	Kojimachi Cristal City	6,405	7,250	180	3.5	-0.1	6,362	888	7,070	3.6
16	Prime Tower Shinurayasu	11,860	13,000	600	4.3	0.0	12,076	924	12,400	4.3
17	Techno Wave 100	6,900	7,330	170	5.0	-0.1	7,254	76	7,160	5.1
18	IBF Planning Building	3,500	3,680	10	3.7	0.0	3,568	112	3,670	3.7
	Total (1)	220,159	258,920	7,718	3.9	-0.1	222,907	36,021	251,202	4.0

		Purchase	At the time of acquisition (as of May 22, 2019)				
	Property name	price (¥ mm)	Appraisal value (¥ mm) (a)	Direct cap rate (%) (c)	Date of value		
17	Techno Wave 100	1,310	1,410	5.1	2018/11/30		
19	Otowa Prime Building	6,830	7,070	3.8	2018/11/30		
	Total (2)	8,140	8,480	4.0			
	Total (1) + (2)	228,299	267,400	3.9			

# Balance sheets (Assets)



ASSETS Current assets:	Previous Fiscal Period As of October 31, 2018  3,465,375 15,683,162	Current Fiscal Period As of April 30, 2019
Current assets:		
Cook and hank dangaita		
Cash and bank deposits	15 683 162	4,858,537
Entrusted cash and entrusted bank deposits		15,656,011
Accounts receivables - operating	560,407	548,863
Accounts receivables	-	98
Consumption tax receivable	537,457	-
Short-term prepaid expenses	384,255	340,851
Derivative assets	-	8,669
Other current assets	26,149	24,522
Total current assets	20,656,808	21,437,554
Non-current assets:		
Property and equipment		
Entrusted buildings	49,226,879	49,982,139
Accumulated depreciation	(5,239,221)	(6,105,533)
Entrusted buildings, net	43,987,657	43,876,606
Entrusted building improvements	346,991	350,465
Accumulated depreciation	(133,748)	(152,819)
Entrusted building improvements, net	213,243	197,646
Entrusted machineries	55,608	60,708
Accumulated depreciation	(7,870)	(10,668)
Entrusted machineries, net	47,737	50,039
Entrusted furniture and equipment	182,938	191,141
Accumulated depreciation	(51,723)	(65,884)
Entrusted furniture and equipment, net	131,215	125,257
Entrusted land	178,873,369	178,650,756
Entrusted construction in progress	8,121	7,169
Total property and equipment	223,261,344	222,907,475
Intangible assets:		
Other intangible assets	2,650	1,530
Total intangible assets	2,650	1,530
Investment and other assets:		
Security deposits and guarantee deposits	10,088	10,088
Long-term prepaid expenses	546,202	474,127
Derivative assets	96,890	22,789
Deferred tax assets	-	41,768
Others	824,041	801,878
Total investment and other assets	1,477,222	1,350,651
Total non-current assets	224,741,217	224,259,657
Deferred assets:		
Investment corporation bonds issuance expenses	50,161	71,537
Total deferred assets	50,161	71,537
TOTAL ASSETS	245,448,187	245,768,749

# Balance sheets (Liabilities and net assets)



		(Unit: Thousands of Yen)	
	Previous Fiscal Period As of October 31, 2018	Current Fiscal Period As of April 30, 2019	
LIABILITIES			
Current liabilities:			
Accounts payable - operating	788,483	865,325	
Short-term borrowings	4,500,000	4,500,000	
Current portion of long-term borrowings	17,500,000	25,350,000	
Accounts payable - other	508,688	502,702	
Accrued expenses	70,977	85,499	
Income taxes payable	2,189	2,787	
Consumption tax payable	-	402,667	
Rent received in advance	841,251	870,369	
Other current liabilities	125,173	30,907	
Total current liabilities	24,336,763	32,610,258	
Non-current liabilities:			
Investment corporation bonds	8,900,000	14,400,000	
Long-term borrowings	90,400,000	77,050,000	
Entrusted tenant leasehold and security deposits	11,393,707	11,570,09	
Derivative liabilities	12,437	163,753	
Deferred tax liabilities	26,580		
Total non-current liabilities	110,732,724	103,183,850	
TOTAL LIABILITIES	135,069,488	135,794,108	
NET ASSETS			
Unitholders' equity:			
Unitholders' capital	107,320,361	107,320,36 <sup>-</sup>	
Deduction from unitholders' capital	(799,984)	(799,984)	
Unitholders' capital, net	106,520,376	106,520,376	
Surplus:			
Retained earnings	3,800,547	3,544,939	
Total surplus	3,800,547	3,544,939	
Total Unitholders' equity	110,320,924	110,065,310	
Valuation and translation adjustments:			
Deferred gains or losses on hedges	57,774	(90,674	
Total valuation and translation adjustments	57,774	(90,674	
TOTAL NET ASSETS	110,378,698	109,974,64 <sup>-</sup>	
TOTAL LIABILITIES AND NET ASSETS	245,448,187	245,768,749	

# Statement of income



(Unit: Thousands of Yen) Previous Fiscal Period Current Fiscal Period From May 1, 2018 to From November 1, 2018 to October 31, 2018 April 30, 2019 Operating revenues 7.417.088 7.448.727 Rental revenues 798,543 743,165 Other rental revenues 409,915 149,470 Gain on sales of real estate properties 8.625.547 8,341,363 Total operating revenues Operating expenses 3.538.904 3,489,079 Property-related expenses 639.797 701,925 Asset management fees 19,445 18,898 General administration and custodian fees 3.600 3.600 Compensation for directors 84,216 70,912 Other operating expenses 4,285,964 4,284,415 Total operating expenses 4,339,583 4,056,947 Operating income Non-operating revenues 70 58 Interest income 868 1.023 Refund of unpaid distributions 2.308 Interest income on tax refund 0 Other non-operating revenues 1,082 3,247 Total non-operating revenues Non-operating expenses 316,850 304,627 Interest expense 19,709 31,654 Interest expense on investment corporation bonds 5,896 8,331 Amortization of investment corporation bonds issuance costs 26,952 8,162 Public offering costs Financing costs 170,307 164,267 1.592 Other non-operating expenses 1.580 541,306 518,622 Total non-operating expenses 3.799.359 3,541,572 Ordinary income 3,799,359 3,541,572 Net income before income taxes 2,198 2,798 Current income taxes 21 (50)Deferred tax expenses 2,219 2,748 Total income taxes 3,797,139 3.538.824 Net income 3.408 6,114 Retained earnings at beginning of period 3,800,547 3,544,939 Retained earnings at the end of period

# Statements of cash flows



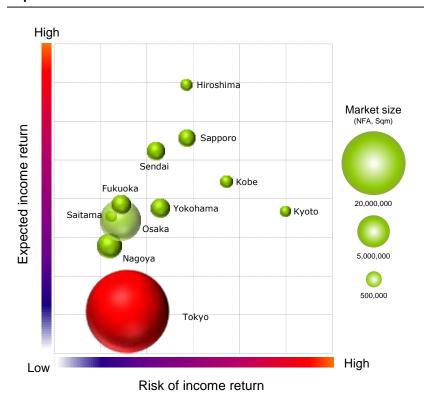
	(Unit: Thousands of Yen)	
	Previous Fiscal Period	Current Fiscal Period
	From May 1, 2018 to October 31, 2018	From November 1, 2018 to April 30, 2019
Cash flows from operating activities:		
Net income before income taxes	3,799,359	3,541,572
Depreciation expenses	899,490	926,996
Amortization of investment corporation bonds issuance costs	5,896	8,331
Public offering costs	26,952	8,162
Financing costs	170,307	164,267
Interest income	(58)	(70)
Interest expense	336,559	· ,
(Increase) decrease in accounts receivables - operating	(73,743)	
(Increase) decrease in accounts receivables	147,830	(98)
(Increase) decrease in consumption tax receivable	(537,457)	537,457
(Increase) decrease in short-term prepaid expenses	(31,167)	(6,493)
(Increase) decrease in advance payments	50,000	` .
(Increase) decrease in long-term prepaid expenses	(2,598)	(40,086)
(Increase) decrease in other current assets	(406,321)	
Increase (decrease) in accounts payable - operating	199,615	(54,692)
Increase (decrease) in accounts payable - other	6,955	(14,040)
Increase (decrease) in consumption tax payable	(121,265)	402,667
Increase (decrease) in rental received in advance	284,345	29,118
Decrease in entrusted property and equipment held due to sale	3,177,329	349,004
Increase (decrease) in other current liabilities	67.657	
Subtotal	7.999.686	()
Interest received	58	-1 -1-
Interest expenses paid	(351,365)	
Income taxes paid	(2,464)	
Net cash provided by (used in) operating activities	7,645,914	
Cash flows from Investing activities:	7,040,314	0,004,000
Purchase of entrusted property and equipment	(66,150,924)	(789,478)
Net cash provided by (used in) investing activities	(66,150,924)	(789,478)
Cash flows from Financing activities:	7 000 000	40,000,000
Proceeds from short-term borrowings	7,000,000	
Repayments of short-term borrowings	(2,500,000)	
Proceeds from long-term borrowings	39,800,000	
Repayments of long-term borrowings	(12,000,000)	
Payment of financing costs	(509,169)	
Proceeds from issuance of investment units	28,268,522	
Payment of investment units issuance costs	-	(334)
Proceeds from issuance of investment corporation bonds		5,500,000
Payment of investment corporation bonds issuance costs	(2.582.000)	(29,706)
Distribution to unitholders	(2,583,906)	
Net cash provided by (used in) financing activities	57,475,446	( , , ,
Net change in cash and cash equivalents	(1,029,563)	
Cash and cash equivalents at the beginning of period	8,784,392	, ,
Cash and cash equivalents at the end of period	7,754,829	8,944,452

# **Proprietary market research**

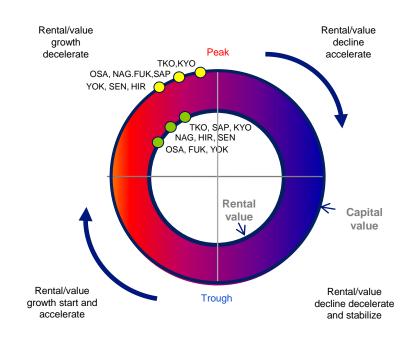
# Identifying market characteristics and cycles



### Expected return/risk of income<sup>1</sup>



### Current market cyclical position<sup>2</sup>



Source: Invesco Real Estate estimated based on ARES (AJPI Quarterly Data, 2005Q1-2014Q4) and CBRE, as of October 2015 Source: Invesco Real Estate estimated as of May 2019

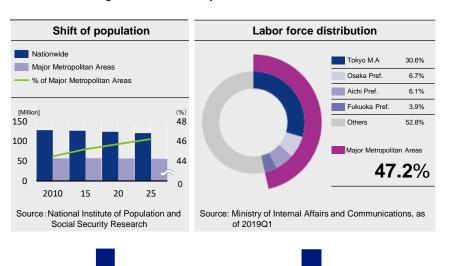
# **Market overview**

## Office market conditions



### Population growth potential in metropolitan areas

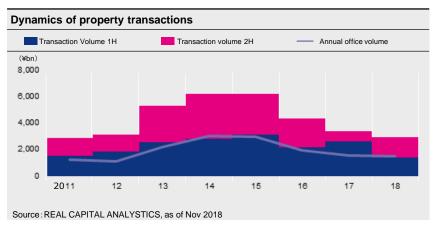
- Concentration of population and business activities support real estate demand
- The office sector benefits from long term expansion and upgrade demand alongside economic cycles



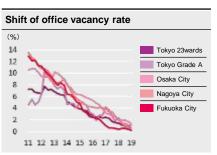
- Continued population and labor force growth in major metropolitan areas is expected as a long-term trend
- A focus on core metropolitan areas helps capture stronger growth prospects and more investment opportunities

### Office market trends

 In 2018, due to tight pricing and less prime pipeline properties for sale, total transaction volume of office was around ¥1.508 trillion, decreased by 3.4% y-o-y compared to the 12.5% y-o-y decline of overall property



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

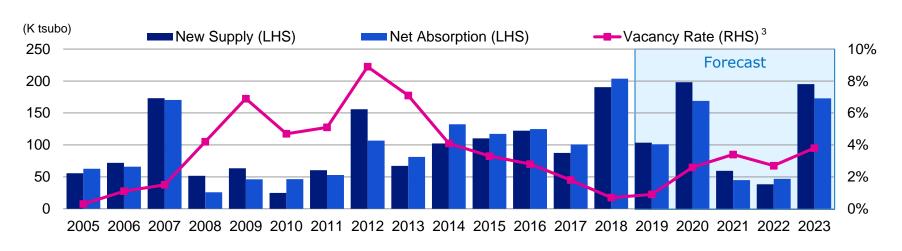


Source: CBRE (As at the end of March 2019)

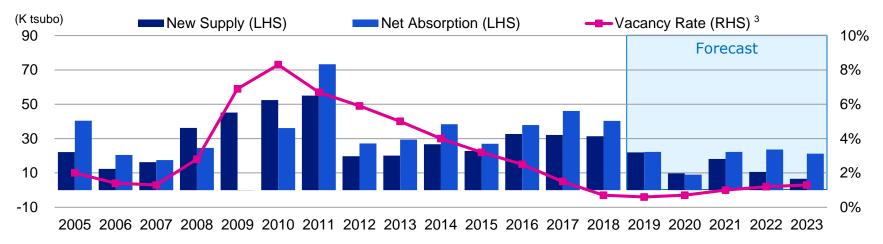
# **Supply demand balance in Tokyo and office forecast** As at the end of March 2019



### Grade-A office forecast 1



### Grade-B office forecast <sup>2</sup>



Source: Prepared by IGRE based on information provided by CBRE as of March 2019.

# **Note (1)**



"Invesco Office J-REIT, Inc." is described as "IOJ" and "Invesco Global Real Estate Asia Pacific Inc." is described as "IGRE" or "Asset Manager" in this material.

### P6

- "DPU" stands for distributions per unit; the same shall apply hereinafter. In general, fixed assets tax and city planning tax are settled on a prorated basis with the previous owner at the time of acquisition of real estate, but IOJ does not record such expenses for a certain period because the amount equivalent to the settlement amount is included in the acquisition price. Furthermore, DPU is indicated by showing the amount equivalent to fixed assets tax and city planning tax not expensed as the amount equivalent to unrecorded fixed assets tax and city planning tax. During each period, the amount obtained by eliminating impact from temporary factors, such as unrecorded fixed assets tax, city planning tax, gains on sales of real estate, etc. from the actual amount of DPU is shown as "stabilized DPU".
- 2 Original DPU forecast for FP11 is ¥376 which is before eliminating impact from temporary profit or loss.
- 3 Reflected the investment unit split (8-for-1).

### P8

- 1 "NOI yield" is calculated as follows: NOI yield = Total NOI / total acquisition price. The same shall apply hereinafter. NOI for newly acquired assets are applied for the NOI calculated by direct capitalization method stated in the appraisal report. Actual NOI yield is shown in parentheses.
- 2 "NOI yield after depreciation" is calculated as follows: NOI yield after depreciation = (Total NOI total depreciation) / total acquisition price. The same shall apply hereinafter. NOI for newly acquired assets are applied for the NOI calculated by direct capitalization method stated in the appraisal report, and the depreciation is calculated by the straight-line depreciation method.
- 3 As of the end of April 2019.

### P9

- 1 "Average occupancy rate" is the ratio of leased areas in relation to total leasable area of portfolio at each point in time and rounded to one decimal place. Note that the occupancy rates at "acquisitions" and "after acquisitions" were the actual values as at the end of April 2019.
- 2 In the NOI calculation, NOI is applied for the actual results; therefore, "acquisitions" and "after acquisitions" are applied for NOI based on direct capitalization method stated in the appraisal report.
- 3 Depreciation is calculated by the straight-line depreciation method.
- 4 "LTV book value" is calculated as follows: LTV book value = Total interest bearing debt / total assets. The same shall apply hereinafter.
- 5 "LTV appraisal value" is calculated as follows: LTV appraisal value = Total interest bearing debt / (total assets + unrealized gain of portfolio). The same shall apply hereinafter.
- 6 As of June 6, 2019.

### P10

- 1 Including the financial instruments business operators.
- 2 The number of investors under each category is shown in parentheses.
- 3 Prepared by IGRE based on disclosed data as at the end of May 2019.

- 1 Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.
- This list is based on information available to IOJ and its Asset Manager at the time of publication and is prepared according to the guidelines of IOJ and its Asset Manager. Consequently, the list may not be comprehensive or the information may be out of date. Analysts included in this list and others not listed are engaged in providing analysis relating to the business results of IOJ and its business, or projecting the future business results of IOJ, based on judgments made independently by the analyst either periodically or on ad hoc basis. IOJ, its Asset Manager, or its respective management teams have not had any part whatsoever in the process by which analysts form their analysis or projections. IOJ and its Asset Manager do not in any way endorse or provide assurances concerning the analysis, projections, opinions or recommendations, etc. made by the analysts. This list is provided solely for the purpose of providing investors with information concerning companies and analysts who provide analysis or projections relating to the business results, etc. of IOJ. It does not constitute a solicitation to invest in IOJ. Any investment decisions you make ultimately rest on your own judgment and are your own responsibility.
- 3 The rating and target price are as of the report issued on January 11, 2019.

# **Note (2)**



- 4 The rating and target price are as of the report issued on December 14, 2018.
- The rating and target price are as of the report issued on March 15, 2019.

### P14

- Average gross floor area of each building.
- 2 Based on the purchase price.
- 3 "FFO per unit" is calculated as follows: FFO per unit = (Net income + depreciation expense gain on sales of property) / the number of units issued and outstanding.
- 4 "AFFO per unit" is calculated as follows: AFFO per unit = (Net income + depreciation expense gain on sales of property capital expenditures) / the number of units issued and outstanding.

### P16

- NOI regarding the assets owned as of the end of FP10 are calculated by using the following formula: the actual NOI for FP10 / operating days during FP10\*365 days. NOIs regarding the newly acquired assets in FP11 are appraisal NOI before depreciation by direct capitalization method. NOI yield is calculated by dividing total NOI by total acquisition price. However, we have applied adjustments to treat certain capitalized property-related taxes as expenses.
- The "PML" means the extent of the damage that would be incurred due to the largest earthquake (a great earthquake with the likelihood of occurring once in 475 years = a great earthquake with a 10% likelihood of occurring once in 50 years) foreseen during the assumed useful life (50 years being the usual useful life of a building) as a ratio (%) of the replacement value for the foreseeable restoration costs of the damage. The figure described above is in the "Report on evaluation of seismic PML for portfolio" dated April 2019 by Sompo Risk Management, Inc.
- 3 The ratio is calculated based on the purchase price.
- 4 "Tokyo central 5 wards" includes Chiyoda-ward, Chuo-ward, Minato-ward, Shinjuku-ward and Shibuya-ward.

### P17

- 1 Disposed on December 16, 2015. Profit from disposition was ¥ 783 million.
- 2 Disposed CS Tower Annex on March 20, 2019. Profit from disposition was ¥ 149 million. The purchase price is based on the ratio of appraised value of "CS Tower" prepared by the appraiser because "CS Tower Annex" was disposed of on March 20, 2019.
- 3 Disposed 40% of co-ownership of trust beneficiary interest on April 18, 2018 and 60% of co-ownership of trust beneficiary interest on May 17, 2018. Profit from disposition was ¥ 687 million.

### P18

- For the J-REITs other than IOJ, the asset size and dividend yield are as at the end of the latest FP disclosed as at the end of May 2019 (however, for the J-REITs which have not had their first fiscal period ends after their listing as at the end of May 2019, their asset size are based on the asset size as at their listing date.).

  Dividend yield = Forecast dividend (Including distributions in excess of earnings. In the case disclosed forecast figures for several FP, using FP that term is the nearest to the base point in time above) / last unit price as at the end of May 2019 on the Tokyo Stock Exchange.
- 2 Above shows the status of the list of each index and credit rating as at the end of May 2019.

- Based on the disclosed data at the end of May 31, 2019.
  - "Peer J-REITs" includes "Nippon Building Fund Inc.," "Japan Real Estate Investment Corporation.", "Global One Real Estate Investment Corporation", "Kenedix Office Investment Corporation", "Ichigo Office REIT Investment Corporation", "Daiwa Office Investment Corporation" and "Japan Excellent, Inc."
- 2 "AUM growth" is the percentage increase in AUM, calculated by dividing the latest disclosed financial period by six financial periods before.
- 3 "NOI yield after depreciation" of peer J-REITs average and J-REIT average are calculated by the following formula: NOI yield after depreciation = Total NOI / operating days\*365 days / total purchase price as of May 31, 2019.
- 4 "Dividend yield" of peer J-REITs average and J-REIT average are calculated by the following formula: Dividend yield = Each J-REIT's current DPU forecast as of May 31, 2019 / operating days of the fiscal period\*365 days / share price as of May 31, 2019.
- 5 "DPU growth" is calculated by the simple average of the percentage increase in dividend yield between the current financial period and four financial periods before.
- 6 "P/NAV" of peer J-REITs average and J-REIT average are calculated using the following formula: P/NAV = Total market capitalization / total NAV.

# **Note (3)**



Calculated using share price as of May 31, 2019. In addition, IOJ's P/NAV is calculated by assumed NAV (¥16,506) after PO.

7 "Daily Trading Volume" of peer J-REITs average and J-REIT average are the simple averages of the daily traded volumes of each investment unit from December 1, 2017 to May 31, 2019.

### P21

- 1 Definition: P: Unit price value per unit DPU: Dividend per unit rf: Risk free rate rp: Risk premium g: DPU growth rate
- 2 The figures were calculated based on the actual DPU or NAV/U divided by eight in order to reflect an eight-for-one unit split with February 28, 2018 as the record date and March 1, 2018 as the effective date.

### P22

The figures were calculated based on the actual DPU or NAV/U divided by eight in order to reflect an eight-for-one unit split with February 28, 2018 as the record date and March 1, 2018 as the effective date.

### P23

10 J made an investment units split at a ratio of 8 units per one investment unit effective on March 1, 2018. For that reason, for the days on or before February 23, 2018, the investment unit price is divided by 8 taking into consideration the impact of the investment unit split. Showing relative trend of the unit price and TSE REIT Index based on the closing price at the beginning of FP6 (November 1, 2016) (IOJ: ¥10,562 (the investment unit price is divided by 8 taking into consideration the impact of the investment unit split) and TSE REIT Index: 1,781.03pt)=100.0%.

### P24

- 1 As at the end of May 2019.
- 2 The cumulative investment amount above is based on the total acquisition price and includes the track record of the assets under the Asset Manager's management when the Invesco Group acquired the Asset Manager from American International Group in December 2010.
- 3 Since the beginning of November 2018 to the end of April 2019. IOJ does not guarantee that it will acquire those properties. The size is in terms of monetary value.
- 4 The number of LOIs which IGRE submitted for IOJ.

### P25

1 The occupancy estimation for FP11 is as of June 1, 2019.

### P27

- 1 "New average rent" and "ex. average rent" is calculated by weighted average of the rent for new tenant that conclude new leasing agreement for office and the rent before concluding the agreement based on leased area.
- 2 "Rent increase ratio" regarding newly moved in spaces is a weighted average ratio calculated based on the difference between new tenant's rent and former tenant's rent for the newly leased areas during each FP. This increase ratio assumes that the new rent contribute for whole FP and does not assume the free-rent and temporary reduction of the rent.
- 3 This indicates the percentage of renewed area and the number of renewals of leases whether the amount was reduced, retained, or increased in relation to the total leased area of offices that reached renewal among the assets owned by IOJ in each fiscal period (including cases where the agreement was changed prior to renewal).
- 4 "Rent increase ratio" is a weighted average ratio calculated based on the difference between new rent and previous rent for the leased areas which renewed with upward revision. This increase ratio is assumed that the new rent contribute for whole FP and not assumed the free-rent and temporary reduction of the rent.
- 5 "Rent increase ratio" regarding rent increased spaces is a weighted average ratio calculated based on the difference between new rent and previous rent for the leased areas which renewed with upward revision. This increase ratio is assumed the new rent contribute for whole FP and not assumed the free-rent and temporary reduction of the rent.

- 1 As at the end of April 2019.
- 2 "Rent differential with assessed market rent" is calculated by dividing the difference between the actual rent for the office portion as at the end of April 2019 for each asset and the market rent (new estimated lease rate) for the office base floor of each property as at March 15, 2019, as assessed by CBRE K.K.
- 3 "Portfolio average rent" is weighted average of total monthly rent for office with fee for common areas divided by the leased area.

# **Note (4)**



- 4 "Market rent" represents the estimated new contract rent for a standard floor used as office space for properties managed by IOJ. The data is based on market research conducted by CBRE as of March 15, 2019.
- 5 "Rent differential" = (Market average rent portfolio average rent) / market average rent.

### P29

1 The chart shows the number of lease contracts renewed or to be renewed for office space, and the rate-difference percentage of in-place rents and the market rents, which is evaluated by CBRE.

### P35

- 1 "Leased area" represents the part of the total leased area stated in the relevant lease agreement pertaining to the acquired assets and the assets anticipated for acquisition as at the end of April 2019 that is reflecting the portion of IOJ's ownership.
- 2 "Ratio of leased area" represents the percentage of each tenant's leased area to the total leased area of all the managed assets as at the end of April 2019, rounded to one decimal place.
- 3 Sotetsu Hotel Management Co., Ltd. succeeded the position of lessee of "Shinagawa Seaside East Tower" to Sotetsu Hotel Development Co., Ltd. on March 1, 2019.
- 4 "Not disclosed" is undisclosed because the permission from the tenant to disclose its name is not obtained.

### P36

The chart shows the breakdown of tenants by type of business based on the total number of tenants excluding residential tenants as at the end of April 2019 based on the leased area stated on agreements. The total ratio may not add up to 100.0% because the numbers are rounded to one decimal place. The number of contracts is shown in parentheses.

### P39

- 1 As percentage of unitholders ratio is rounded to one decimal place, the total of the ratio may not be 100.0%.
- 2 Including financial instruments business operators.
- 3 Figures described in "% of units issued" are rounded down to one decimal place.
- 4 HSBC BANK PLC A/C CLIENTS, NON TREATY 1 holds 261,435 units as trustee for the benefit of Invesco Investments (Bermuda) Ltd. Invesco Investments (Bermuda) Ltd. is a subsidiary of Invesco Ltd., the parent company of the Asset Manager.

### P45

NOI regarding the assets owned as of the end of FP10 are calculated by using the following formula: the actual NOI for FP10 / operating days during FP10\*365 days (rounded off to the first decimal place). NOIs regarding the newly acquired assets in FP11 are appraisal NOI before depreciation by direct capitalization method. NOI yield is calculated by dividing total NOI by total acquisition price. However, we have applied adjustments to treat certain capitalized property-related taxes as expenses.

### P46

1 The purchase price and appraisal value as at the end of FP9 (10/2018) are based on the ratio of appraised value of "CS Tower" prepared by the appraiser because "CS Tower Annex" was disposed of on March 20, 2019.

### P51

- 1 Risk measure is represented by the standard deviation and expected return is represented by the long-term average.
- 2 SAP-Sapporo, SEN-Sendai, SAI-Saitama, TKO-Tokyo, YOK-Yokohama, NAG-Nagoya, KYO-Kyoto, OSA-Osaka, KOB-Kobe, HIR-Hiroshima and FUK-Fukuoka

- 1 The definition of "Grade A" is as follows: location is in the central 5 wards; GFA is 10,000 tsubo or more and NLA is 6,500 tsubo or more; typical floor plate is greater than 500 tsubo; building age is less than 11 years.
- 2 The definition of "Grade B" is as follows: location is in the Tokyo 23 wards; GFA is 2,000 to 7,000 tsubo; typical floor plate is greater than 200 tsubo; there are no criteria in terms of building age but building structure should satisfy new seismic criteria.
- 3 Vacancy rate is as at the end of December each year.

# Memo

# Memo

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