Invesco Office J-REIT, Inc. (3298)
12th Fiscal Period Ended April 30, 2020

Invesco Global Real Estate Asia Pacific, Inc.
June 16, 2020

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

Prime Tower Shin-Urayasu

Ebisu Prime Square

Techno Wave 100

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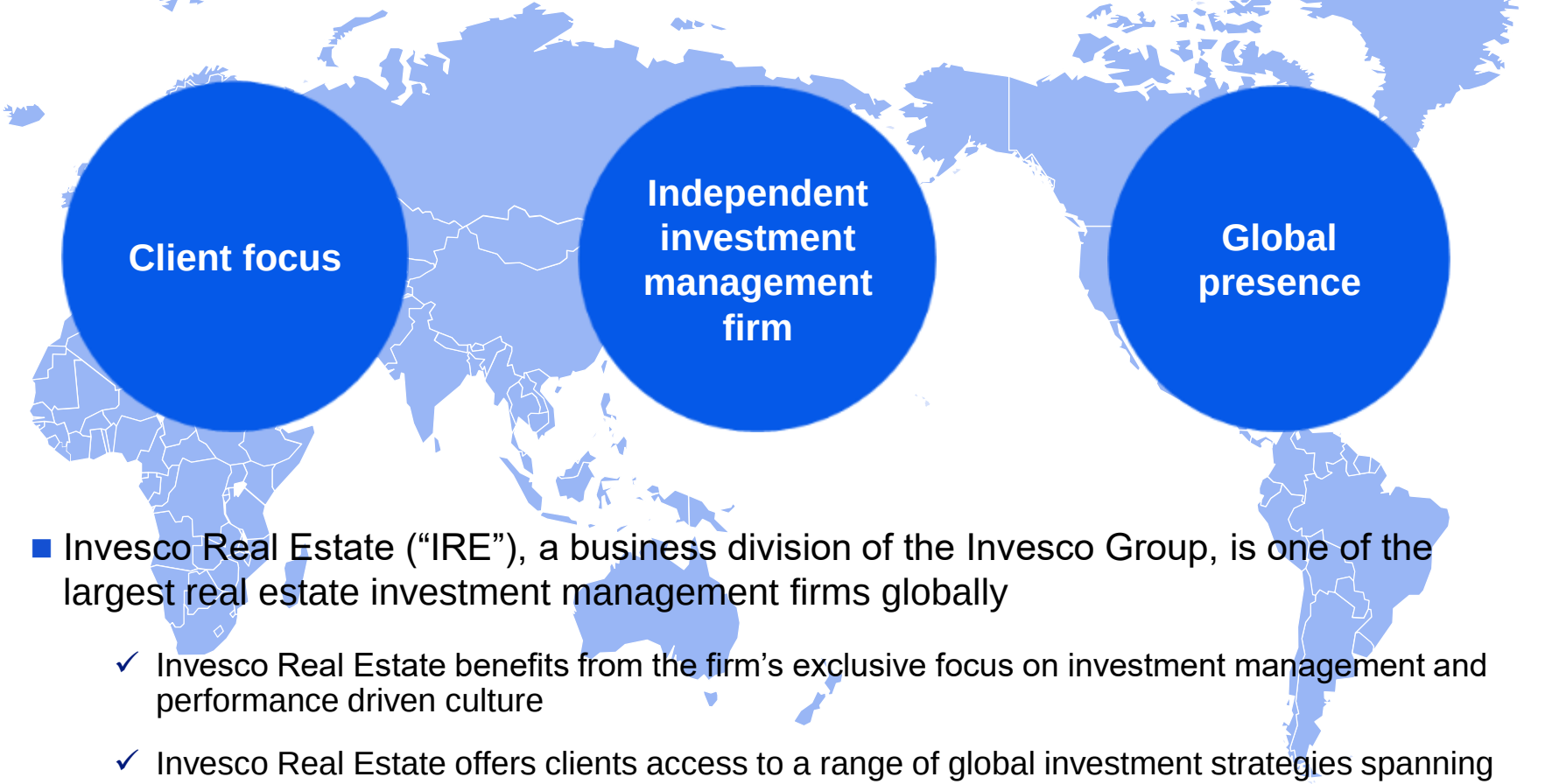
About Invesco group

- 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



- Invesco Real Estate ("IRE"), 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

Source: Invesco Group

1. Impact of COVID-19 and our strategy

Summary

Impact on the portfolio

IOJ successfully collected 99.2% of rents in May 2020

The impact on office tenants is limited at present and there are no major consequences for larger tenants

Received some rent relief requests from tenants affected by the declaration of a ‘state of emergency’

Implementing proactive asset management strategies while monitoring the COVID-19 situation

Implemented a standardized approach to streamline tenant communication and request responses

Actively tracking rent collections across the portfolio while monitoring the COVID-19 situation

Occupancy rate of 99.3% in FP13 and 97.3% in FP14 maintained based on conservative projections

Selectively adding new strategies to respond to changes in the market environment post COVID-19

Focus on continued financial stability to prepare for the prolonged impact of COVID-19

Pursue proactive leasing opportunities based on future office demand analysis

Impact on the portfolio
(As at June 1, 2020)

- IOJ successfully collected 99.2% of rents in May 2020
- The impact of COVID-19 on office tenants is limited at present and there are no major consequences for larger office tenants
- Received some rent relief requests from tenants affected by the declaration of a ‘state of emergency’ and the spread of COVID-19

1. Summary of tenant reactions

- Received rent deferrals or rent abatement requests from 49 tenants out of 532 tenants
- COVID-19 resulted in lease cancellation notices from only 1.4% of existing tenants on a monthly rental income basis

2. Characteristics of the tenants affected

- Industry: Services (leisure services, hotels, temporary staffing, beauty salons), restaurants and retailers (clinic, schools and shops excluding grocery stores)
- Rent level: Partial lease cancellations have occurred in office properties in the high rent price range of ¥25,000/tsubo or more

Implementing proactive asset management strategies while monitoring the COVID-19 situation

- Implemented a standardized approach to streamline tenant communication and request responses
- Rent relief requests have been comprehensively considered based on some key factors

Approach to managing rent abatement and deferral requests

Rent abatement and deferral requests have been assessed on a tenant by tenant basis having regard for the following:

1. Tenants' financial position (considering the decline in tenant sales due to COVID-19)
2. Use of government tenant support programs
3. Performance and positioning of the tenants in properties
4. Impact on property operations (impact on occupancy rate forecasts including lease terms)
5. The impact on the tenant’s industry (survey of the status of industries conducted by the research team)
6. Contents of each lease agreement

Tenant requests have been examined in a multifaceted and comprehensive manner with the view to preserving unitholder profits

Implementing proactive asset management strategies while monitoring the COVID-19 situation

- Actively tracking rent collections across the portfolio while monitoring the COVID-19 situation

Potential risk factors

- Increase in applications from tenants to reduce or cancel leased areas where business performance has been affected
- Impact on new contracted rent with prolonged downtime
- Increased possibility that deferred rental payments may not be recovered
- Changes in the attitude of lenders and the environment to issue investment corporation bonds

Occupancy rate of 99.3% in FP13 and 97.3% in FP14 can be maintained based on conservative projections with no new leasing after tenants leave and an increase in lease cancellations due to COVID-19

- Rent increases are to be pursued on a case-by-case basis considering tenant's ability to pay rent
- Aiming to conclude lease contracts with higher rents and improve portfolio occupancy rate by promoting proactive leasing with positive rent gaps after tenants leave

Selectively adding new strategies to respond to changes in the market environment post COVID-19

- Focus on the following priority measures having regard the impact of COVID-19 crisis

Priority measures for the COVID-19	
Enhance financial stability	✓ **Focus on continued financial stability to prepare for the prolonged impact of COVID-19** 1. Extend average borrowing periods AA- rated borrowing periods will be lengthened while funding costs will be reduced by leveraging the advantages of AA- rated borrowing 2. Future LTV reductions Consider a further reduction of LTV ratios taking into account the market conditions for borrowing
Improve profitability & secure profit opportunities	✓ **Enhance proactive leasing opportunities based on future office demand analysis** 1. Further rent reduction is limited due to the increased rent gap between passing and market rents 2. IOJ's average rent for existing tenants is approximately ¥16,000/tsubo - strong tenant demand can be expected at this price level 3. IOJ aims to conclude new lease contracts more than market rents if tenants terminate their leases 4. Demand for office space may increase at some companies due to the need for social distancing post COVID-19 5. Investigate the potential increase in demand for satellite offices near work and housing due to the need to work from home post COVID-19 *As of April 2020 (FP12), 62.4% of IOJ assets are categorized as "work-and-living neighborhood" offices[1] (based on acquisition price)*

1 "Work-and-living neighborhood" offices are defined as offices located in a municipality where the ratio of the nighttime population to the daytime population in the 2015 Census by the Ministry of Internal Affairs and Communications exceeds 50%.

2. Operational highlights

Highlights

Steady earnings growth

4.6% stabilized DPU growth in FP12 (¥407) compared to actual stabilized DPU in FP11 (¥389)

The lower limit of stabilized DPU target of ¥400 to ¥430, which was the medium-term goal for the period up to the fiscal year ending April 2022, was achieved in the current fiscal year

Plan to set new medium-term goals once the current COVID-19 environment has settled

Active management delivering strong portfolio performance

Achieved a 99.3% average portfolio occupancy in FP12 (+0.7% points from FP11)

Positive rent gap expanded to 12.5% (+0.2% points from FP11)

AA- rating achievement

Due to the upgrade to AA-(stable), IOJ was included in the share purchase program of Bank of Japan

Increase in the ratio of institutional investors

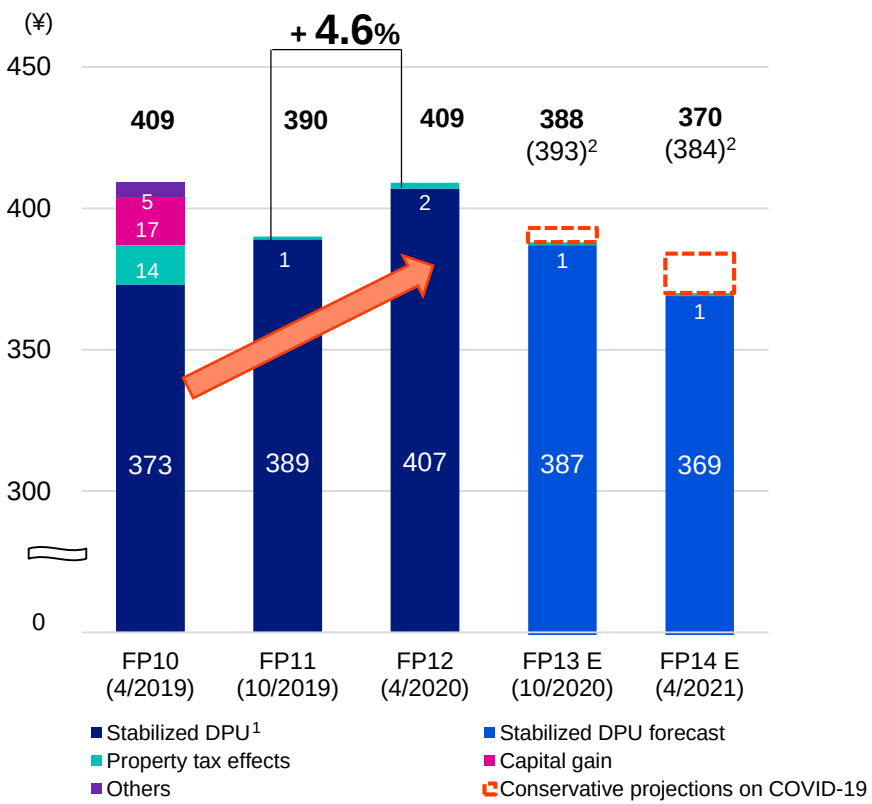
Total investment ratio of domestic and overseas institutional investors increased to approximately 86% (+2.0% points from FP11)

- Overseas institutional investor ratio 34.3% ⇒ 36.7% (+2.4% points from FP11)

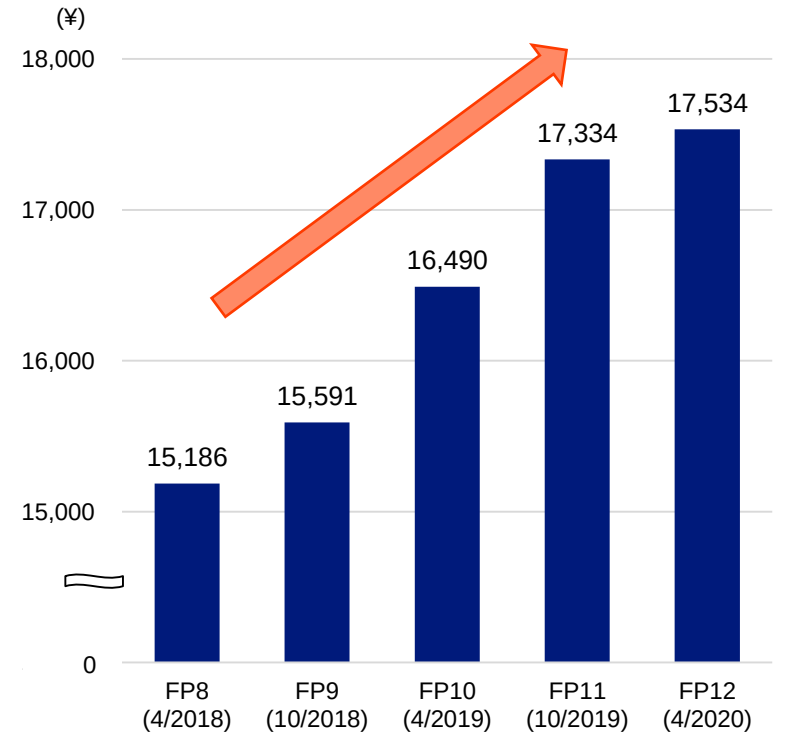
Improvement of DPU and NAV per unit

- In FP12 (4/2020), stabilized DPU[1] improved by 4.6% compared to FP11 (10/2019)
- In response to the impact of COVID-19, IOJ has a conservative forecast DPU buffer of ¥5 in FP13 (10/2020) and ¥14 in FP14 (4/2021)

DPU[1]



NAV per unit



1 "DPU" stands for distributions per unit. 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 The figures in parentheses show the DPU forecast excluding conservative projections on COVID-19.

Financial results for FP12 (4/2020)

(¥ mm)	FP11 (10/2019) Actual (A)	FP12 (4/2020) Forecast (B)	FP12 (4/2020) Actual (C)	(C) – (A)	(C) – (B)
Operating revenue	8,634	8,660	8,658	24	-2
Operating income	3,987	4,008	4,123	136	115
Ordinary income	3,471	3,495	3,634	163	139
Net income	3,470	3,492	3,633	163	141
Units issued & outstanding	8,899,256	8,899,256	8,899,256	0	0
DPU (¥)	390	393	409	19	16
LTV (%)	49.4	-	49.4	0	-
Total assets	254,423	-	255,653	1,230	-
Interest bearing debt	125,780	-	126,280	500	-

Analysis of earnings variance

(C) – (A)	(¥mm)
Increase in rental revenue (Techno Wave 100, ORTO Yokohama, Prime Tower Shin-Urayasu, Otowa Prime Building and CS Tower)	148
Decrease in utility income	-127
Increase in other rental revenue	3
Operating revenue	**24**
Decrease in utility costs	158
Decrease in other rental expense	3
Increase in depreciation expense	-24
Increase in other operating expense (AM fee increase, general unitholders meeting cost)	-26
Operating income	**136**
Decrease in non-operating expense mainly due to interest expense decrease	**27**
Ordinary income	**163**
Net income	**163**

(C) –(B)	(¥mm)
Increase in rental revenue (Techno Wave 100, Nish-Shinjuku Prime Square and CS Tower)	19
Decrease in utility income	-43
Increase in other operating income due to cancellation penalty income	21
Operating revenue	**-2**
Decrease in utility costs	98
Decrease in repair costs	38
Increase in other rental expense mainly due to brokerage fee increase	-8
Increase in depreciation expense	-18
Decrease in other operating expense	7
Operating income	**115**
Decrease in non-operating expense mainly due to interest expense decrease, etc.	**24**
Ordinary income	**139**
Net income	**141**

Financial forecasts for FP13 (10/2020) and FP14 (4/2021)

(¥ mm)	FP12 (4/2020) Actual (A)	FP13 (10/2020) Forecast (B)	FP14 (4/2021) Forecast (C)	(B) – (A)	(C) –(B)
Operating revenue	8,658	8,792	8,494	134	-298
Operating income	4,123	3,954	3,783	-169	-171
Ordinary income	3,634	3,455	3,298	-179	-157
Net income	3,633	3,455	3,298	-178	-157
Units issued & outstanding	8,899,256	8,899,256	8,899,256	0	0
DPU (¥)	409	388	370	-21	-18
Stabilized DPU	407	387	369	-20	-18

For DPU forecast, IOJ conservatively calculated considering the following:

- Expected impact of ¥45million (¥5 in DPU basis) in FP13 (10/2020) and ¥125million (¥14 in DPU basis) in FP14 (4/2021) in response to COVID-19.

  In the above calculation, IOJ did not forecast any rent increase at contract renewal nor any lease-up upon a tenant's lease expiry. Although some future lease cancellations are expected, the average occupancy rate for FP14 is assumed to be 97.3%.

The potential negative impacts of COVID-19 have been factored into in the current projections, consequently new lease agreements or rent increases will increase distributions.

Analysis of earnings variance

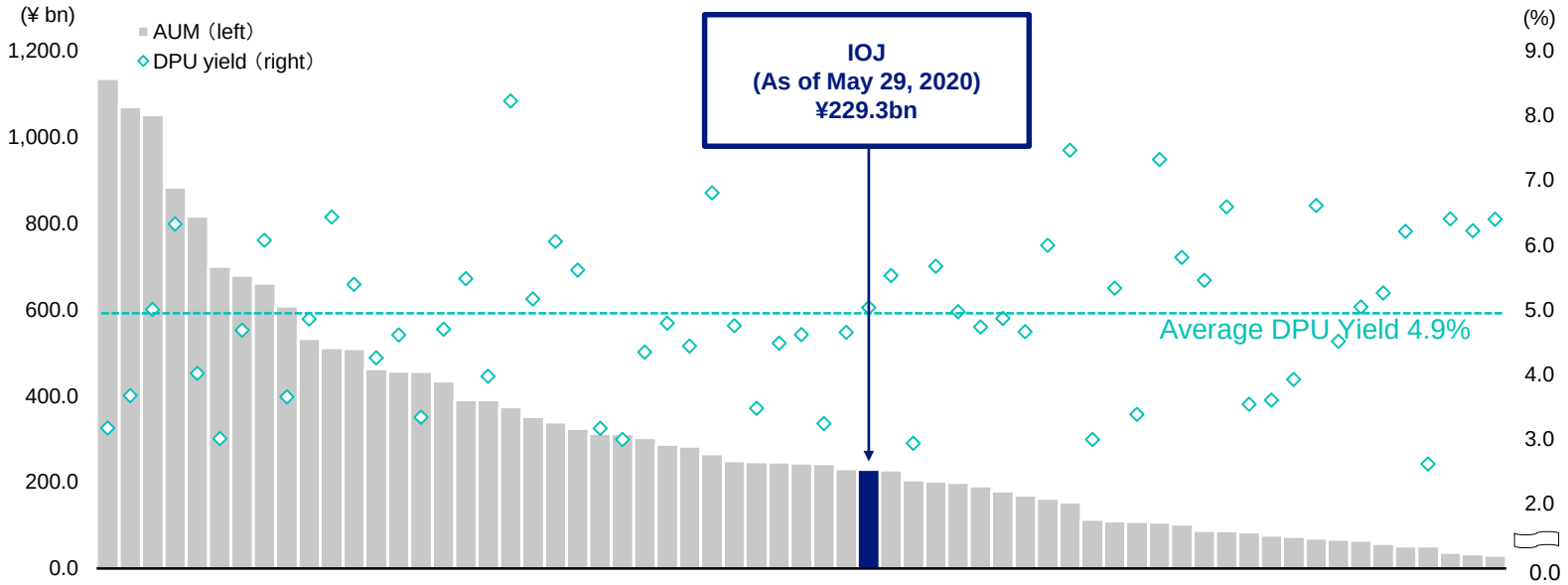
(B) – (A)	(¥mm)
Decrease in rental revenue (Queen's Square Yokohama and Ebisu Prime Square)	-4
Increase in utility income	120
Increase in rental revenue from 2 new assets	122
Decrease in other operating income (rental mtg. room charge and lease cancellation penalty)	-59
Conservative projections of COVID-19	-45
Operating revenue	**134**
Increase in utility costs	-166
Increase in repair costs	-52
Increase in rental expenses mainly due to property tax increase	-39
Increase in rental expense due to newly acquired 2 assets	-57
Decrease in other operating expenses	13
Operating income	**-169**
Increase in non-operating expenses	-10
Ordinary income	**-179**
Net income	**-178**

(C) –(B)	(¥mm)
Decrease in rental revenue (ORTO Yokohama, CS Tower and Ebisu Prime Square)	-110
Decrease in utility income	-107
Conservative projections of COVID-19	-81
Operating revenue	**-298**
Decrease in utility costs	125
Increase in rental expenses due to depreciation expense increase	-31
Decrease in other operating expenses (AM fee)	31
Operating income	**-171**
Decrease in non-operating expenses	14
Ordinary income	**-157**
Net income	**-157**

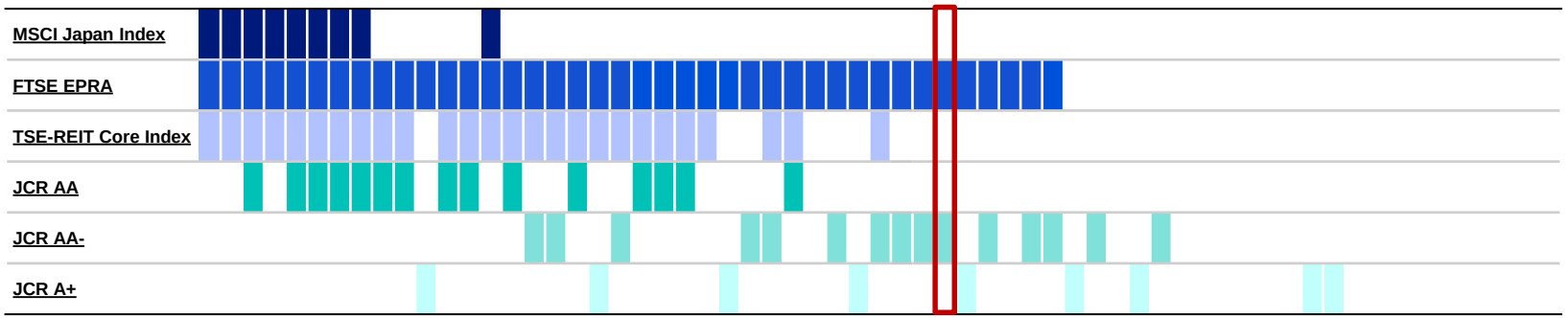
IOJ's positioning in the J-REIT market

As of May 29, 2020

- Due to the upgrade to AA- (stable), IOJ was included in the share purchase program of Bank of Japan



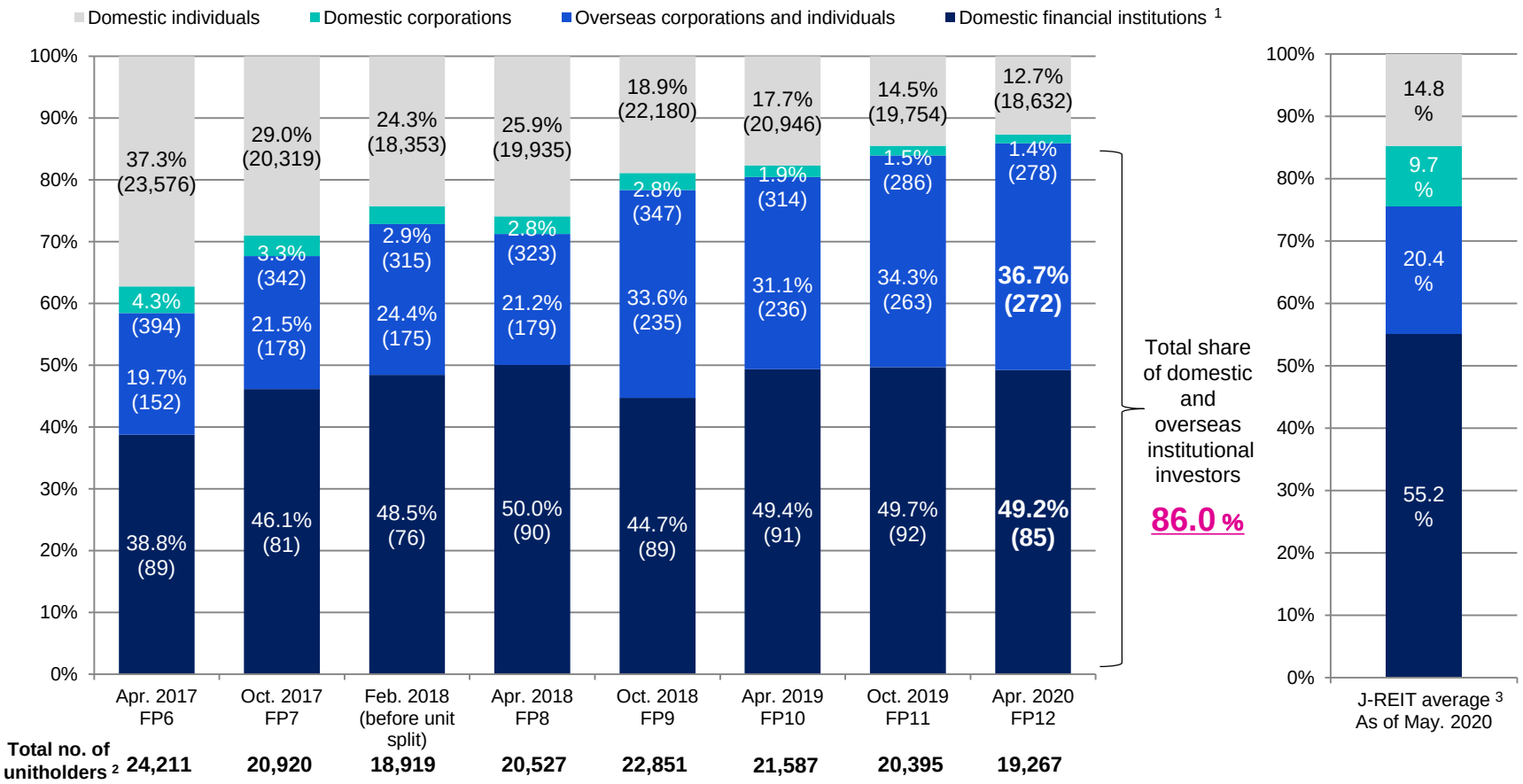
List of indices and credit rating



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.

Widening of investor base

- Achieved AA- credit rating last December. Expect investment activity from credit rating sensitive investors such as domestic regional banks
- Continued increase in IOJ ownership by overseas institutional investors as a result of proactive investor relations initiatives



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 2020.

3. Portfolio overview

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Portfolio composition
As at the end of April 2020

Highlights (19 assets)

Purchase price
¥229.3billion

Average purchase price
¥12.0billion

Appraisal value
¥277.0billion

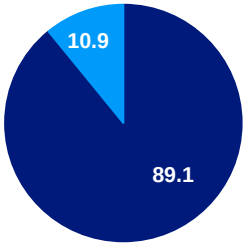
FP12(4/2020)
average occupancy rate
99.3%

Average NOI yield [1]
5.2%

Portfolio PML[2]
2.69%

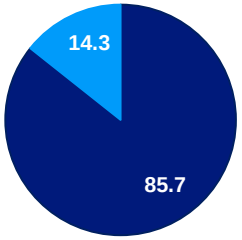
Characteristics [3]

By asset type (%)



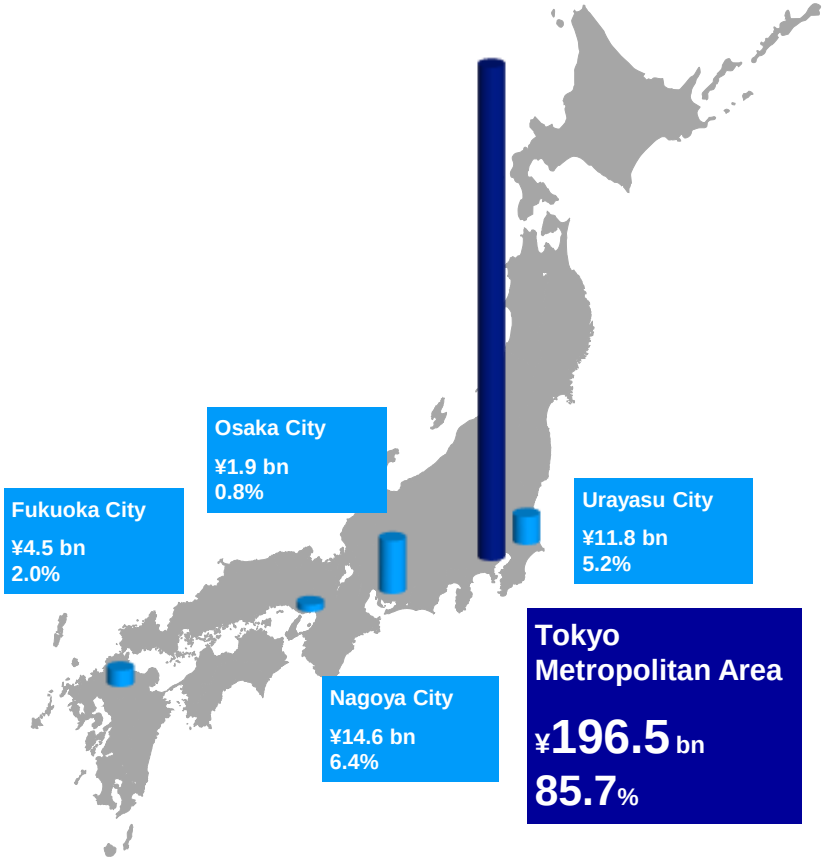
Large-scale offices	89.1%
Others (mid-size offices)	10.9%

By geographic location (%)



Tokyo Metropolitan Area[4]	85.7%
-Tokyo 23 wards	69.2%
(Tokyo central 5 wards[5]	36.8%)
Other Areas	14.3%

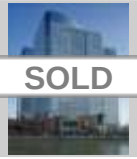
Investment ratio by geographic location

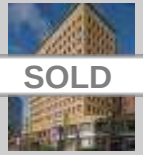


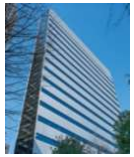
1 NOI regarding the assets owned as of the end of FP12 are calculated by using the following formula: the actual NOI for FP12 / operating days during FP12*365 days. NOI yield is calculated by dividing total NOI by total acquisition price. However, we have applied adjustments to treat certain capitalized property-related taxes as expenses.
2 The figure described above is in the “Report on evaluation of seismic PML for portfolio” dated March 2020 by Sompo Risk Management, Inc.
3 The ratio is calculated based on the purchase price.
4 “Tokyo Metropolitan Area” includes Tokyo metropolitan area, Yokohama city, Kawasaki city, Saitama city and Chiba city.
5 “Tokyo central 5 wards” includes Chiyoda-ward, Chuo-ward, Minato-ward, Shinjuku-ward and Shibuya-ward.

Portfolio review

19 assets with a total purchase price of ¥ 229.3 billion

Property name	Ebisu Prime Square	Harumi Island Triton Square Office Tower Z[1]	CS Tower[2]	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	¥13,969 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 Building[3]
						 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[4]	IBF Planning Building	Otowa Prime Building
Location	Yokohama	Tokyo	Tokyo
Purchase price	¥8,710 million	¥3,500 million	¥6,830 million

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 corresponds to the total portion which IOJ acquired on June 6, 2014 and January 30, 2020.
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.
4 The purchase price corresponds to the total portion which IOJ acquired on May 1, 2018, May 22, 2019 and March 31, 2020.

4. Growth strategies

Portfolio occupancy and leasing achievements

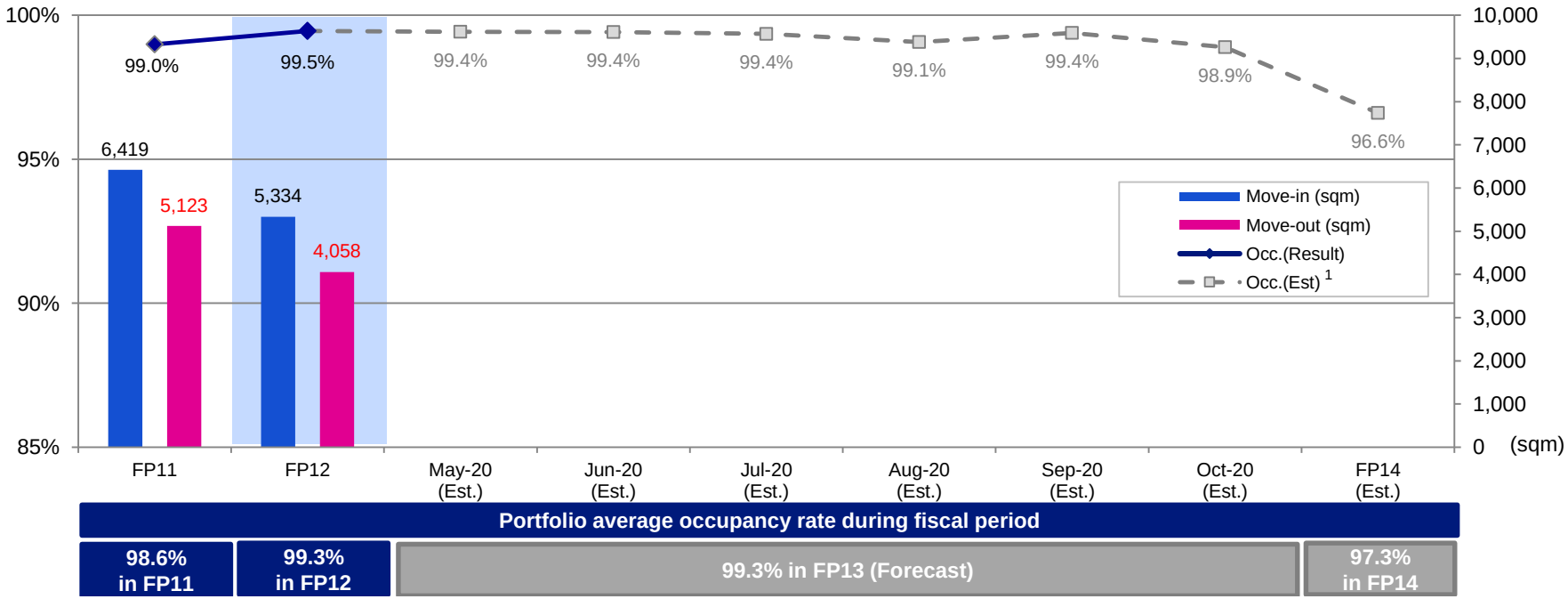
- FP12 (4/2020) average occupancy rate was 99.3% as a result of proactive leasing activities
- Occupancy rate of 99.3% in FP13 and 97.3% in FP14 maintained based on conservative projections

Leasing achievements (FP12)

- Achieved 99.5% occupancy at the end of FP12 (4/2020): This result was 0.9% points higher than the initial forecast
- The average portfolio occupancy rate in FP12 improved to 99.3% due to successful leasing activities at Ebisu Prime Square, Prime Tower Shin-Urayasu and Techno Wave 100

Leasing policy and occupancy outlook (FP13)

- Assuming that the occupancy rate in FP13 can be maintained at a 99% level following the impact of COVID-19
- Focusing on leasing activities at Ebisu Prime Square and Sun Towers Center Building in FP13
- After FP13, proactive leasing initiatives will continue to be pursued to maintain the portfolio occupancy rate and the performance of IOJ's assets



1 The occupancy estimation for FP13 and FP14 is as of June 10, 2020.

Proactive leasing activities

Strong rent growth achievements at Ebisu Prime Square and Kinshicho Prime Tower in FP12 (4/2020)

Leasable area	17,351.42 sqm
Acquisition date	June 6, 2014
Purchase price	¥ 25,014 million
Appraisal value (4/2020)	¥ 30,821 million
Occupancy (4/2020)	98.2%

New leases achieved +24.6% income growth (1,063 sqm)

Lease renewals achieved +9.1% positive rent revision (1,451 sqm)

Growth opportunity +7.1% of positive rent growth in FP12 (4/2020)

Leasable area	17,606.11 sqm
Acquisition date	January 20, 2017
Purchase price	¥ 15,145 million
Appraisal value (4/2020)	¥ 17,800 million
Occupancy (4/2020)	100.0%

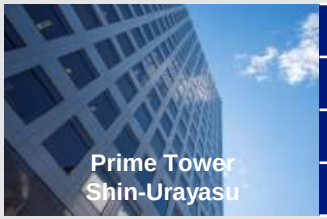
New leases achieved +35.7% income growth (359 sqm)

Lease renewals achieved +6.8% positive rent revision (2,739 sqm)

Growth opportunity +14.0% of positive rent growth in FP12 (4/2020)

Note: Percentage figures above are rounded to one decimal place.

Occupancy improvement at Prime Tower Shin-Urayasu and Techno Wave 100



Leasable area	22,326.66 sqm
Acquisition date	May 1, 2018
Purchase price	¥ 11,860 million
Appraisal value (4/2020)	¥ 13,000 million

95.0% As of Oct. 2019 → **100%** As of April 2020

Leasable area	36,879.10 sqm
Acquisition date	May 1, 2018[1]
Purchase price	¥ 8,710 million
Appraisal value (4/2020)	¥ 9,877 million

96.6% As of Apr. 2020 → **100%** In September 2020

1 Techno Wave 100 has been additionally acquired on May 22, 2019 and March 31, 2020.

Disciplined asset management approach - examples

Introduction of "Eco-tuning"

Eco-tuning

Reduced carbon dioxide emissions and utility costs by optimizing existing facilities.

Effect of reducing utility costs

IOJ has introduced eco-tuning for the following three assets[1]

Approximately ¥13mm per year [2]

ORTO Yokohama

CS Tower

Prime Tower Shin-Urayasu

Impact to DPU improvement

Approximately ¥1.5 per year [2,3]

Utilization of cogeneration systems

What is a cogeneration system?

A cost saving and flexible power generation system that produces "electricity" and "heat" from city gas or hydrogen depending on cost differentials.

Awarded the "Yokohama Global Warming Prevention Award" (May 2020)

The ORTO Yokohama business center management association received the "Yokohama Global Warming Prevention Award" from Yokohama city in recognition of its significant reduction in greenhouse gas emissions.

ORTO Yokohama

Efforts to reduce electricity and city gas consumption by improving air conditioning operations

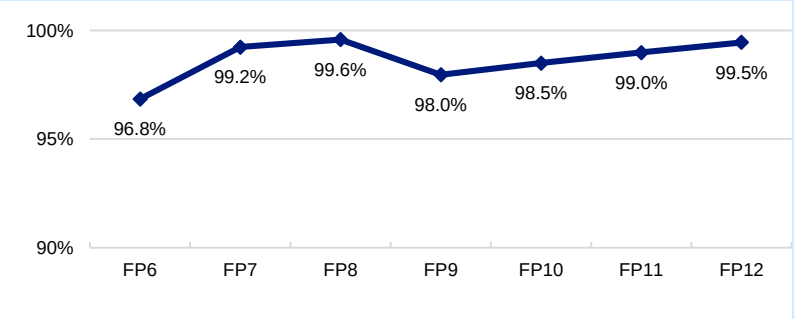
During the plan period from FY2016 to FY2018 based on actual results in FY2015, ORTO Yokohama succeeded in reducing CO2 emissions by approximately 930 tons and 20% annually.

1 Eco-tuning was introduced in October 2015 for ORTO Yokohama, in December 2018 for CS Tower and in February 2019 for Prime Tower Shin-Urayasu.
2 The amount is calculated by subtracting the amount of remuneration to consultants (50% of the amount of reduction achievement) from the estimated annual reduction amount calculated based on the actual reduction in utility costs of each property since the introduction of Eco-tuning.
3 Calculated based on the number of units issued and outstanding of 8,899,256 units.

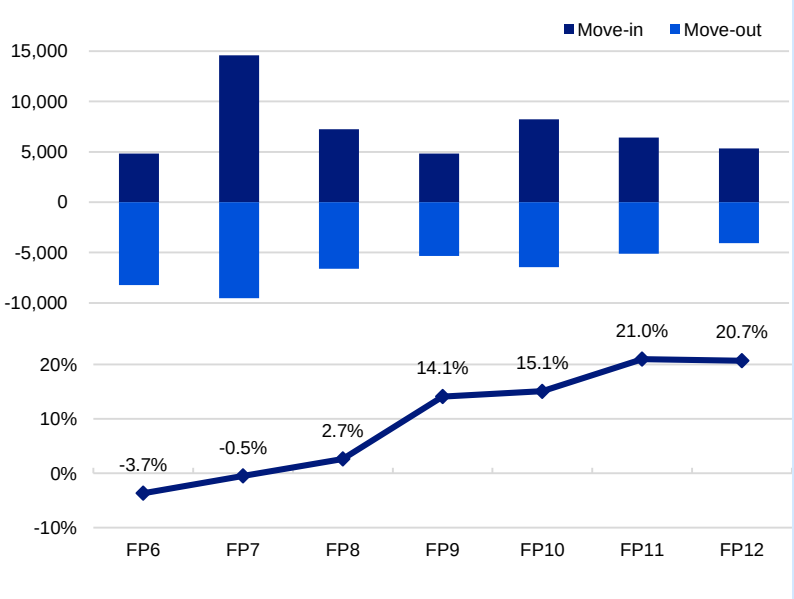
Further potential for rent growth

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

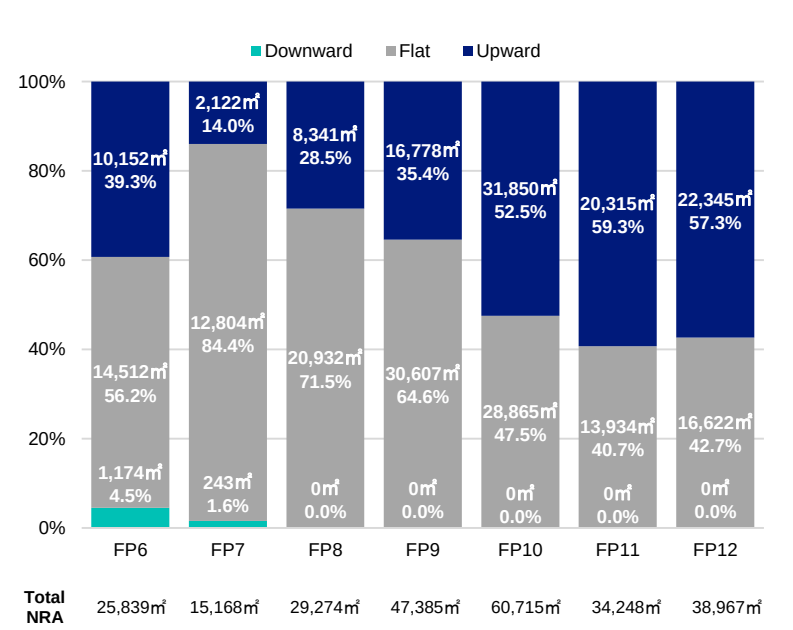
Occupancy rates at the end of each fiscal period



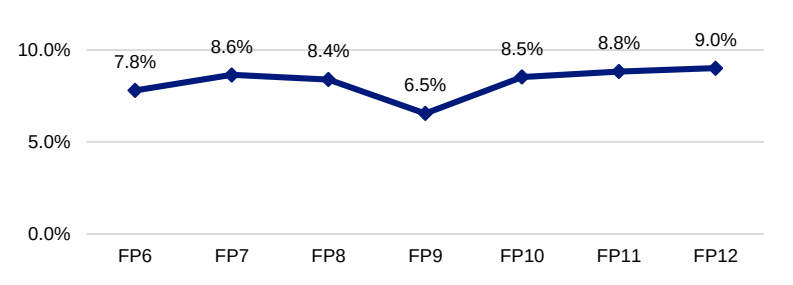
Move-in / Move-out floor space (above) and office rent fluctuation rate by tenant turnover (below)



Office rent renewal floor space

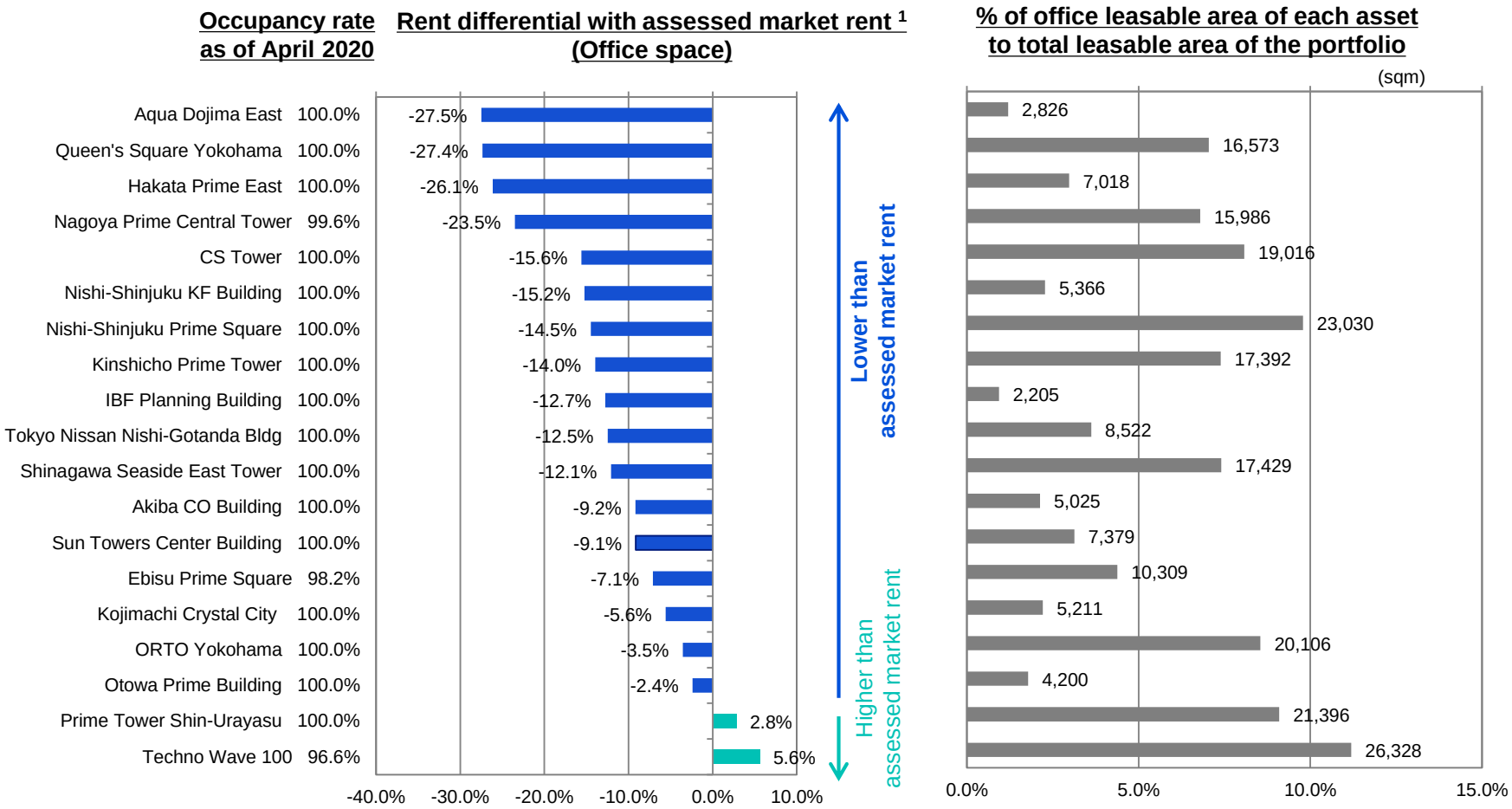


Office rent fluctuation rate upon positive rent renewals



Capitalizing on the positive rent differential for office space

- Actively aiming to increase rent income through reducing the difference between the current portfolio rent and the assessed market rent

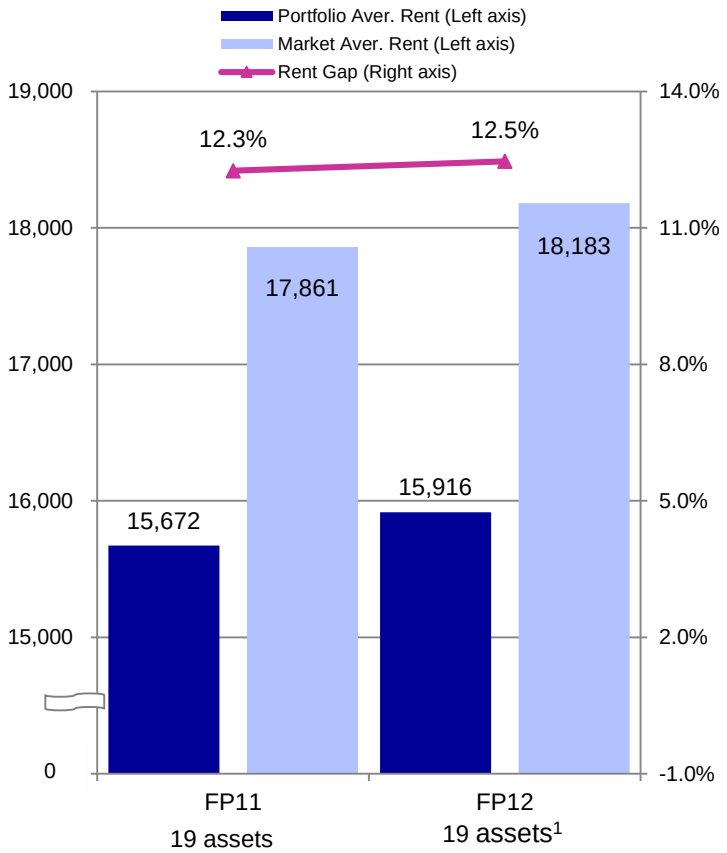


1 Rent differential with actual rent as of April 30, 2020 and CBRE's estimated market rent for a standard floor used as office space as of March 31, 2020 for properties managed by IOJ.

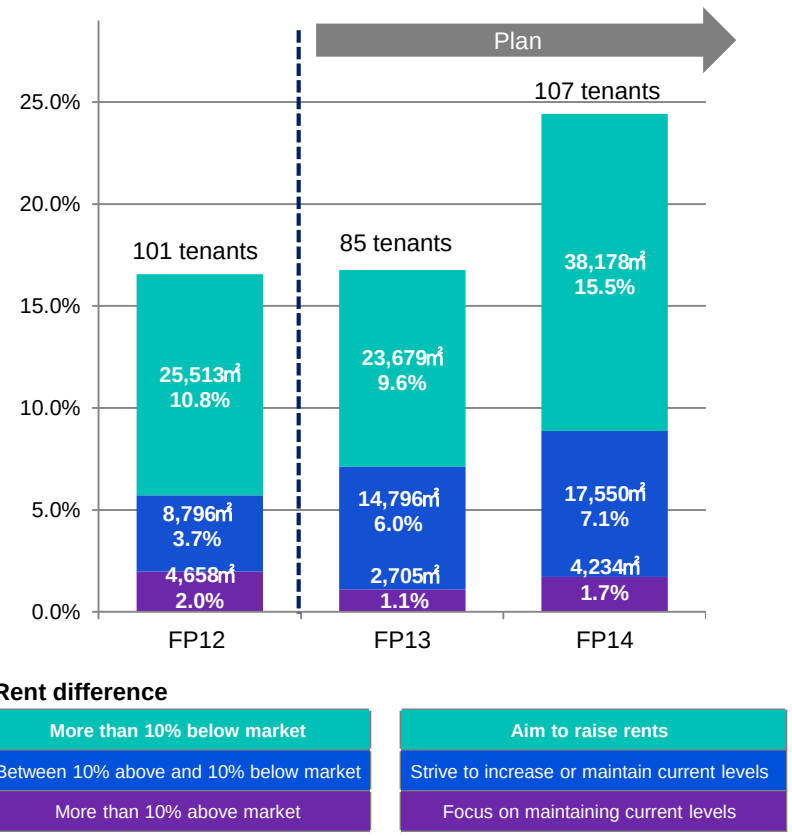
Potential for positive rental reversions and rent growth

- Increase in the difference between the current average portfolio rent and the assessed average market rent to 12.5% (+ 0.2% points), providing further potential for rent growth

Average rent for the 19 current properties (¥/tsubo)



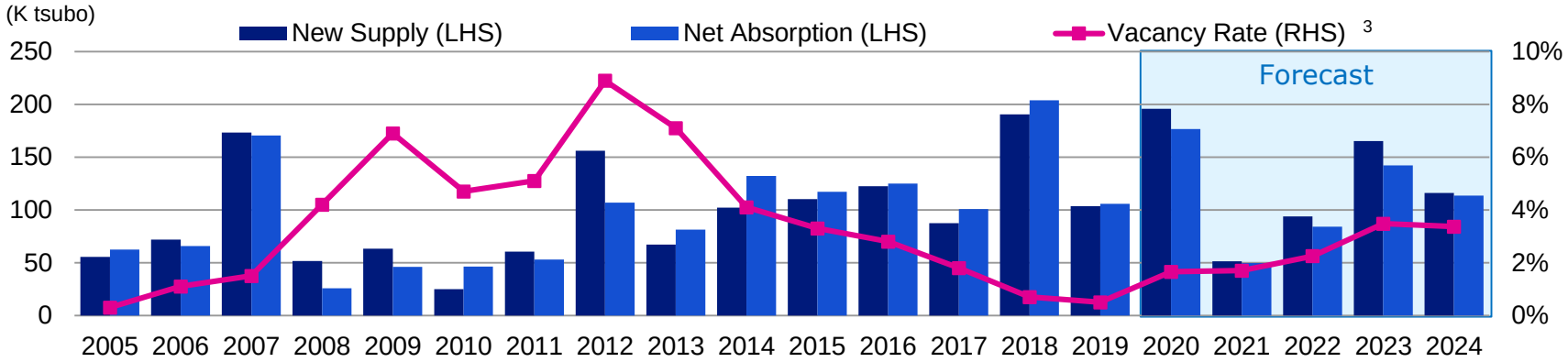
Rent difference between in-place rents and market rents (leased area basis) [2]



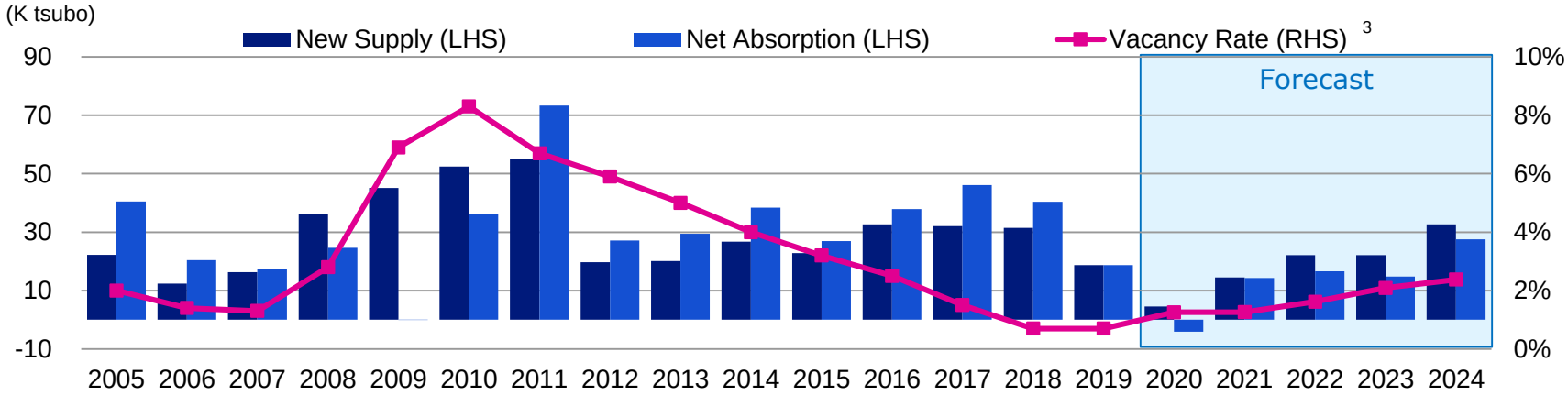
1 Additional portion of CS Tower and Techno Wave 100 acquired in FP12 were excluded from the viewpoint of comparison with FP11.
2 The chart shows the number of lease contracts renewed or to be renewed for office space, and the rate-difference percentage of in-place rents and the market rents, which is evaluated by CBRE.

Supply demand balance in Tokyo and office vacancy rate forecast
As at the end of March 2020

Grade A office forecast [1]



Grade B office forecast [2]



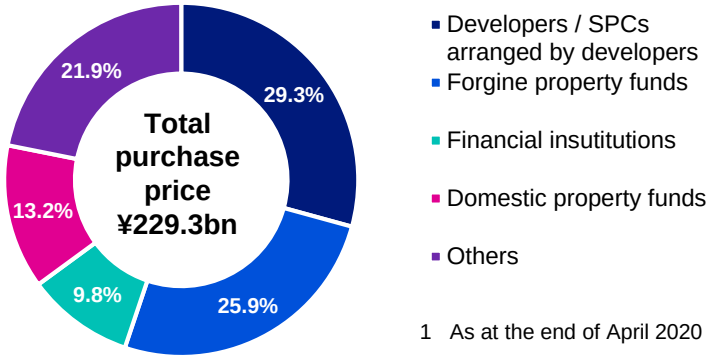
1 The definition of "Grade A" is as follows: location is in the central 5 wards; GFA is 10,000 tsubo or more and NLA is 6,500 tsubo or more; typical floor plate is greater than 500 tsubo; building age is less than 11 years.
2 The definition of "Grade B" is as follows: location is in the Tokyo 23 wards; 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.

Source: Prepared by IGRE based on information provided by CBRE as of March 2020.

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)



1 As at the end of April 2020

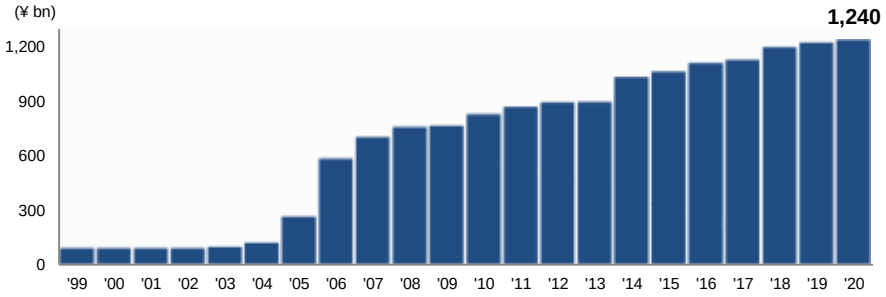
Acquisition pipeline [3]

- Promote flexible acquisition of properties by utilizing bridge SPCs
- Approximately ¥30 bn in properties under consideration, mainly located in central Tokyo
- Portfolio NOI after depreciation is 4.3% at the end of FP12 (4/2020) and the implied cap rate at acquisition after depreciation is 3.6% at the end of May 2020

Investment track record

- Cumulative investment amount (since 1999) of ¥1.2 trillion (148 properties) [2]
- Current AUM is approximately ¥407.4 billion (as of April 30, 2020)

Cumulative investment amount [2]



Asset acquisition

Post acquisition

100%
ownership in the entire office portion in the building

Post acquisition

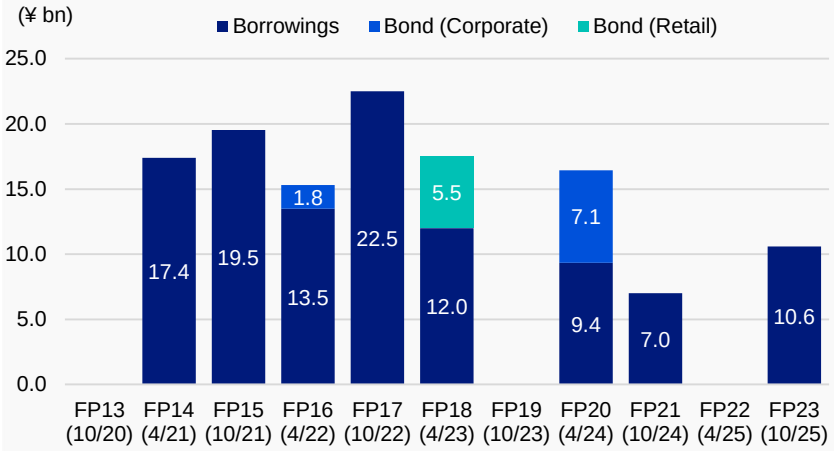
100%
ownership for both a high-rise tower and a low-rise tower

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 IOJ does not guarantee that it will acquire those properties.

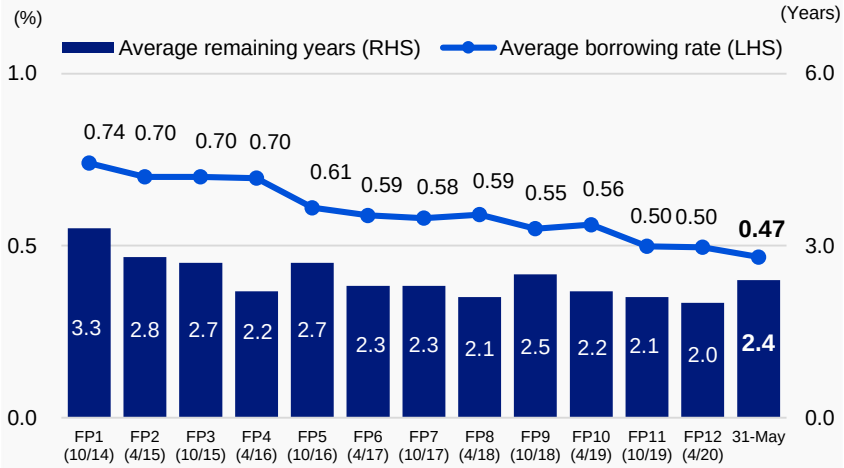
Prudent financial management
As at the end of May 2020

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

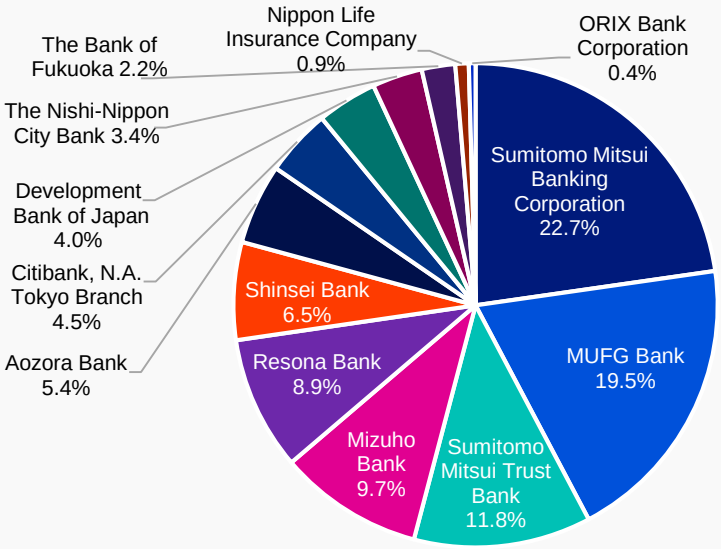
Diversification of debt maturities



Average remaining years and average interest rate



Diversified lender formation



Corporate bonds

	Amount of issued (¥ bn)	Duration (year)	Interest rate (%)	Redemption date
1st series bonds (Corporate)	1.8	5	0.320	Apr. 20, 2022
2nd series bonds (Corporate)	1.6	7	0.520	Apr. 19, 2024
3rd series bonds (Retail)	5.5	5	0.457	Jan. 26, 2023
4th series bonds (Corporate) Green Bond	5.5	5	0.580	Dec. 13, 2023

LTV book value / LTV appraisal value	Long term fixed ratio	% of corporate bonds
49.4 % / 41.9 %	90.9 %	11.4 %
Total interest bearing debt	**Borrowings**	**Bonds**
¥126,280 mm	¥111,880 mm	¥14,400 mm

5. ESG

Recent ESG initiatives

- IOJ implemented a wide range of initiatives to improve the asset management performance

Environmental

Green Building Certifications

- 17 properties out of 19 properties of IOJ portfolio achieved Green Building Certifications (GBC)

	Certified bldgs.	GFA (sqm)	Certified ratio[2]
GBC total[1]	**17**	**463,724.34**	**59.8%**
DBJ Green Building	1	67,581.00	8.7%
CASBEE	16	396,143.34	51.1%
BELS	1	5,719.73	0.7%

Green lease[3]

- As of April 2020, green lease[3] clauses have been added into new leases at 11 of the 19 properties within the portfolio
- Of the lease contracts concluded in FP12 (4/2020), the ratio of green lease contracts was 70.0%

No. of properties with green lease as of Apr. 2020	Green lease agreement introduction ratio in FP12
11	**70.0** %

Social

Tenant engagement

- Share information on ESG performance with tenants by setting up digital signage displays in common areas of managed assets
- Conduct a survey with tenants of IOJ every other year and utilize other mechanisms to obtain feedback

Governance

Cumulative investment program

- Introduced a cumulative investment program of IOJ's investment units for the Asset Manager's employees in February 2017
- As May 2020, 52% of the employees participate in the program[4]

IGRE sustainability committee

- Established an IGRE Sustainability Committee in December 2019 to effectively implement sustainability strategies and objectives

Our ESG program is aligned with INREV, GRESB, GRI and UNPRI. The data provided herein represents a snapshot current performance. The sustainability data has been reviewed by LORD Green Real Estate Strategies.

1 If one building has acquired multiple environmental certifications, it is counted as one building.
2 This is the ratio of the total floor area of each environmental certification to the total floor area of IOJ's managed assets (775,239.65 sqm).
3 A lease agreement with clauses requiring to cooperate for obtaining environmental certification and share the data on energy consumption, etc.
4 The ratio was calculated based on the number of employees excluding directors, compliance officers, etc. who cannot participate in the cumulative investment program due to internal regulations.

IOJ's key ESG priorities in 2020

- IOJ selected most important issues from Invesco Real Estate materiality topics as below

Environmental		
1 Energy Conservation & GHG Emissions Reductions	Further reductions in GHG emission aiming to achieve the 5-year average reduction target of 15% (based on CO2 emission volume) set by Tokyo Metropolitan Government	
10 Green Building Certifications	Promote Green Building Certification achievements	
Social		
11 Stakeholder Engagement	Improve regular and detailed communications with stakeholders, including investors, communities, service providers, employees of the Asset Manager and industry groups	
16 Diversity & Inclusion	Promote diversity and inclusion by providing training, communications and creating a work environment that optimizes the full potential of our employees	
Governance		
21 Leadership/ Corporate Governance	Serve and guide stakeholders with transparent, effective leadership/ create effective framework to accomplish objectives	
22 Legal Compliance 23 Ethics/Code of Conduct	Conduct periodical trainings to appropriately understand culture of compliance internally and externally and corporate-level standard ethics/ code of conduct	
Economic		
24 Economic Performance	Conduct initiatives to maximize investor value	
25 Financial Risk due to Climate Change	Identify risks caused by climate change and evaluate mitigation strategies	
26 Resiliency	Identify and prepare for potential disasters and recovery through business continuity plans	

IOJ conducted various ESG initiatives

Invesco

■ IOJ has implemented the following initiatives for its key ESG priorities in 2020

Environmental

Green lease[1] contracts

- At 11 out of 19 properties of the portfolio, "environmental consideration" clauses were added to new leases as of April 2020
- Existing building renovations performed using environmentally friendly methods
- Tenants have agreed to cooperate with IOJ to improve environmental performance of managed assets

Green building certification achievements

- Acquired 4 new green building certifications since November 2019
- 17 out of 19 properties in the portfolio are green certified assets
- Certified ratio: 59.8% (based on GFA)

GRESB participation

- Achieved "Green Star" rating in the 2019 GRESB assessment
- Achieved "3 Stars" rating in the "GRESB rating" based on relative evaluation

Enhancement of "eco-tuning" business model

- Introduced an "eco-tuning" business model at 3 managed assets to reduce CO2 emissions and utility costs by optimizing operations of current facilities and systems

Social

Diversity and inclusion

- 36% of the Asset Manager's managers are female managers as at the end of May 2020
- Invesco Women's Network leadership

Tenant engagement

- Share information on ESG performance with tenants by setting up digital signage displays in common areas of managed assets
- Conduct a survey with building tenants of IOJ every other year and utilize other mechanisms to obtain feedback
- ORTO Yokohama's tenant association hosted a flea market in September 2019 run by local residents and small businesses selling various goods
- CS Tower provided space for a local festival, creating opportunity for social interaction

Work and life balance

- Paid leave achievement ratio in 2019 was 78%
- Flextime and hourly paid leave systems were used by employees to enhance efficiency

Cooperation & support of large-scale disasters

- IOJ has signed agreements with local governments for 5 managed assets to cooperate in emergency activities when a disaster occurs and support people who have difficulty returning home

Governance

Cumulative investment program

- Introduced a cumulative investment program of IOJ's investment unit for the Asset Manager's employees in February 2017
- As at the end of May 2020, 52% of the employees participated in the program [2]

Board diversification of IOJ

- IOJ newly appointed 2 female directors at a general unit holders meeting of IOJ in January 2020

Change in AM fee calculation

- The fee ratio based on adjusted EPU and NOI was increased and the fee ratio based on total asset was reduced

IGRE sustainability committee

- Established a Sustainability Committee in December 2019 to effectively implement sustainability strategies and objectives

Sustainability Report

- IOJ's annual Sustainability Report (YE 2018) was released in Q4 2019

Economic

TCFD [3]

- Invesco joined the TCFD in March 2019
- IOJ identified and evaluated potential risks and opportunities in climate changes

1 A lease agreement with clauses requiring to cooperate for obtaining environmental certification and share the data on energy consumption, etc.
2 The ratio was calculated based on the number of employees excluding directors, compliance officers, etc. who cannot participate in the cumulative investment program due to internal regulations.
3 Taskforce on Climate-Related Financial Disclosures.

ESG performance

Environmental

Performance Indicators (Green Building Certifications as of March 31, 2020)

Ebisu Prime Square — 3 Stars

CS Tower — Rank A

Nagoya Prime Central Tower — Rank S

Tokyo Nissan Nishi-Gotanda — Rank A

ORTO Yokohama — Rank A

Nishi-Shinjuku KF Building — Rank B+

Shinagawa Seaside East — Rank A

Akiba CO Building — Rank B+

Sun Towers Center — Rank A

Hakata Prime East — Rank S

Kinshicho Prime Tower — Rank S

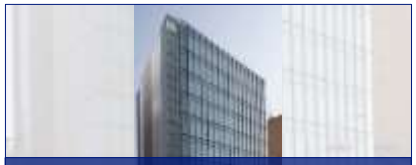
Aqua Dojima East — Rank S

Nishi-Shinjuku Prime Square — Rank A

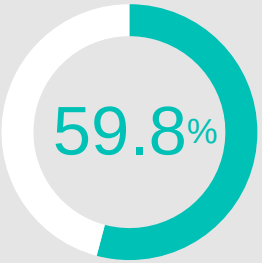
Kojimachi Crystal City — Rank A

Prime Tower Shin-Urayasu — Rank B+

Techno Wave 100 — Rank A



Otowa Prime Building — Rank A; 2 Stars



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

Our ESG program is aligned with INREV, GRESB, GRI and UNPRI. The data provided herein represents a snapshot current performance. The sustainability data has been reviewed by LORD Green Real Estate Strategies.

Invesco Real Estate ESG program summary

IRE believes by taking a well-thought through and disciplined approach to ESG, we can successfully balance our social and environmental responsibilities while meeting the needs of our clients and fulfilling our fiduciary responsibilities. ESG is integrated into all phases of the Investment management process. Specifically, our ESG Objectives across our strategies globally focus on the following:

ENVIRONMENTAL
Measuring and regularly reporting building energy, emissions, water, and waste within our control, and in doing so seeking to continually and steadily improve performance.
Evaluating and implementing low-cost measures, capital improvements, and new technologies to improve the performance of our assets and advance the built environment.
Evaluate feasibility of pursuing third-party green building certifications using schemes prevalent in each specific region such as LEED, BREEAM, Green Star and CASBEE, as well as health and wellness certifications such as WELL and Fitwel.
Including ESG as part of the due diligence process during acquisition and assessing the resiliency of our assets when faced with climate-related risks.

SOCIAL
Providing tools and resources to engage property managers on sustainability issues.
Providing services and amenities at our properties such as gyms, bicycle storage, and green spaces that encourage building occupants to lead healthier lifestyles.
Training our employees on environmental, social, governance, and health and well-being issues.
Engaging with the local community on sustainability-related issues through programs in place at Invesco, Ltd., Invesco Real Estate and the direct real estate assets we manage.
Encouraging our employees to play active roles in the growth and development of the communities in which they live and work through volunteering and charitable contributions.

GOVERNANCE
Leading the real estate industry in the implementation of ESG practices through the direction of our Sustainability Committee.
Transparently disclosing our ESG strategy and performance to investors through reporting frameworks such as the Global Real Estate Sustainability Benchmark (GRESB), Global Reporting Initiative (GRI), the European Association for Investors in Non-Listed Real Estate Vehicles (INREV), Carbon Disclosure Project (CDP), United Nations Principles for Responsible Investment (UN PRI).
Ensuring that our employees adhere to the highest standards of honest and ethical conduct through confirming their compliance with our Anti-Bribery policy and Code of Conduct.

Our ESG program is aligned with INREV, GRESB, GRI and UNPRI. The data provided herein represents a snapshot current performance. The sustainability data has been reviewed by LORD Green Real Estate Strategies.

ESG memberships

GRESB

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 Real Estate has been a member of GRESB since 2014. IOJ submitted to GRESB for the first time in 2019, achieving a score of 78 out of 100 points and placing 12th out of 16 participants in the Japan Office Listed peer group. The fund achieved 3 out of 5 Green Stars, placing it in the 3rd quintile out of the 1,000+ GRESB participants in 2019. IOJ is preparing to submit to GRESB for the second time in 2020.

PRI – Direct Property

The PRI (Principles for Responsible Investment) is the world's leading proponent of responsible investment. Invesco Ltd. is a PRI signatory and in 2019, Direct Property outranked peers with a score of A compared to a peer average of B

TCFD

In March 2019, Invesco became a supporter of the Taskforce on Climate-Related Financial Disclosures (TCFD). The TCFD is a framework that establishes a climate risk disclosure procedure for entities, including real estate investment groups like Invesco. The framework includes 4 major components to establish a plan for identifying and mitigating climate related risks at the portfolio and asset level. IOJ seeks to identify and evaluate potential climate risks and opportunities that may affect its assets.

Our ESG program is aligned with INREV, GRESB, GRI and UNPRI. The data provided herein represents a snapshot current performance. The sustainability data has been reviewed by LORD Green Real Estate Strategies.

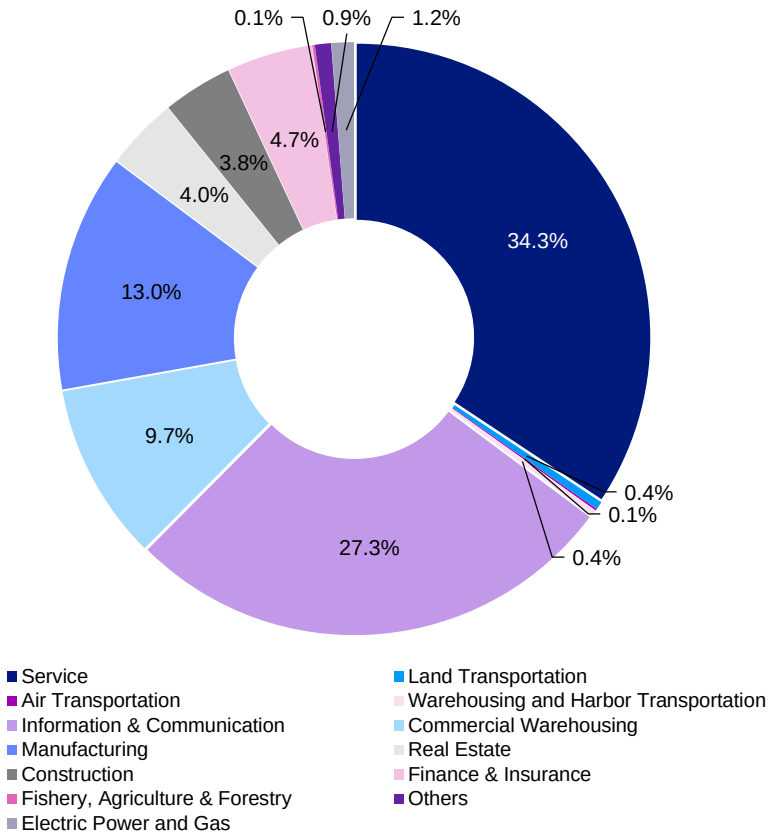
6. Appendix

Top 10 tenants (leased area basis)

As at the end of April 2020 (FP12)

	End tenants	Property name	Leased area[1] (sqm)	Ratio of leased area to total leasable area[2] (%)
1	INTEC INC.	Techo Wave 100	16,555.18	5.6
2	Tokyu Hotels Co., Ltd.	Queen's Square Yokohama	13,506.72	4.5
3	Fujitsu Limited	ORTO Yokohama	12,847.62	4.3
4	Sotetsu Hotel Management Co., Ltd.	Shinagawa Seaside East Tower	9,237.18	3.1
5	Yachiyo Engineering Co., Ltd	CS Tower	8,893.68	3.0
6	Minatomirai Tokyu Square Corporation	Queen's Square Yokohama	6,395.39	2.2
7	Marvelous Inc.	Shinagawa Seaside East Tower	6,225.70	2.1
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	BSD Information Technology, Ltd.	Otowa Prime Building	4,200.08	1.4
Total of top 10 tenants			**88,888.56**	**29.9**

Allocation by industry (Leased area basis)[3]

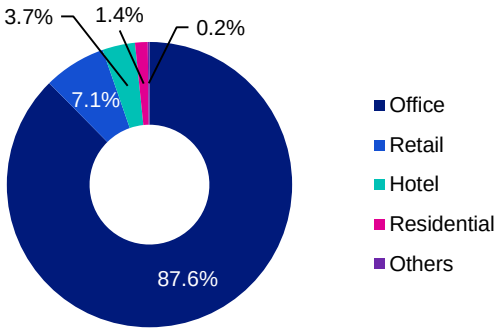


1 "Leased area" represents the part of the total leased area stated in the relevant lease agreement pertaining as at April 30, 2020 that is reflecting the portion of IOJ's ownership.
2 "Ratio of leased area" represents the percentage of each tenant's leased area to the total leased area of all the managed assets as at April 30, 2020, rounded to one decimal place.
3 The chart shows the breakdown of tenants by type of business based on the total number of tenants excluding residential tenants as at April 30, 2020 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.

Revenue compositions
As at the end of April 2020

- Upward rent revision opportunities for office assets occur every 2.5 years

FP12(4/2020) revenue breakdown by asset type



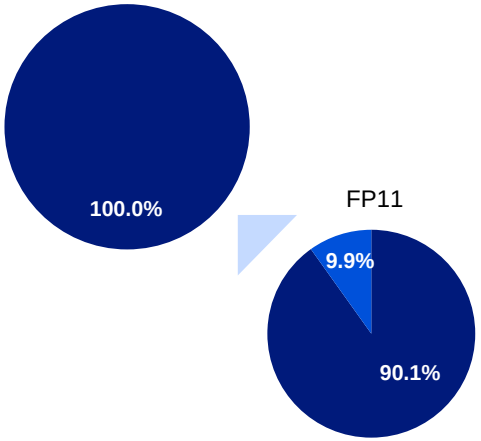
Asset type	% to total rent revenue	Leased area (sqm)	Average lease term
Office	87.6%	244,093.98	2.5 years
Retail	7.1%	24,363.04	8.0 years
Hotel [1]	3.7%	22,743.90	20.0 years
Residential	1.4%	4,253.43	2.6 years
Others	0.2%	1,766.03	4.4 years
Total	100.0%	297,220.38	4.3 years

1 Not including turnover rent income.

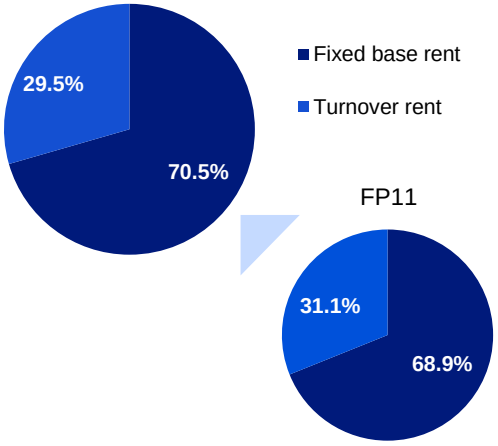
Hotel rent revenue breakdown

Fixed rent income from 2 hotels was 3.7% of total rent revenue in FP12 (4/2020)

Shinagawa Seaside East Tower



Queen's Square Yokohama



FP12	% to total rent revenue
Fixed base rent	86.6%
Turnover rent	13.4%
Total	100.0%

FP11	% to total rent revenue
Fixed base rent	80.9%
Turnover rent	19.1%
Total	100.0%

Strengths of “work-and-living neighborhood" offices post COVID-19

- IOJ owns not only properties in Tokyo central 5 wards but also properties in “work-and-living neighborhood" which have potential to be popular post COVID-19
- The introduction of working from home as a measure to prevent COVID-19 is increasing and demand for offices located near residences is expected to increase in the future
- In this context, IOJ’s portfolio structure captures a wide range of office needs

Night-time population ratio[1] of properties owned by IOJ

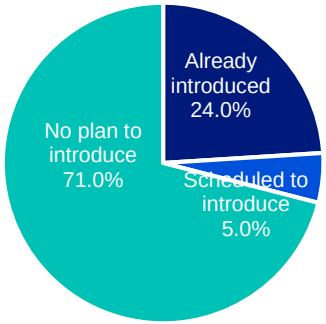
Property	Location	Night-time population ratio[1]
Sun Towers Center Bldg.	Tokyo 23 wards	105.4%
Prime Tower Shin-Urayasu	Urayasu city	104.0%
ORTO Yokohama	Tokyo Metropolitan Area	99.9%
Techno Wave 100	Tokyo Metropolitan Area	99.9%
Nagoya Prime Central Tower	Nagoya city	95.3%
Kinshicho Prime Tower	Tokyo 23 wards	81.9%
Tokyo Nissan Nishi-Gotanda	Tokyo 23 wards	71.1%
Shinagawa Seaside East Tower	Tokyo 23 wards	71.1%
CS Tower	Tokyo 23 wards	65.2%
Otowa Prime Building	Tokyo 23 wards	63.5%
Hakata Prime East	Fukuoka city	59.8%
Queen's Square Yokohama	Tokyo Metropolitan Area	53.8%
Nishi-Shinjuku KF Building	Tokyo central 5 wards	43.0%
Nishi-Shinjuku Prime Square	Tokyo central 5 wards	43.0%
Ebisu Prime Square	Tokyo central 5 wards	41.6%
IBF Planning Building	Tokyo central 5 wards	41.6%
Aqua Dojima East	Osaka city	30.1%
Akiba CO Building	Tokyo central 5 wards	6.8%
Kojimachi Crystal City	Tokyo central 5 wards	6.8%

Ratio of “work & living neighborhood" offices

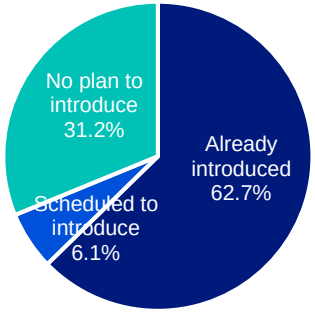
62.4%

Introduction ratio of work from home for metropolitan corporations (with 30 or more employees) [2]

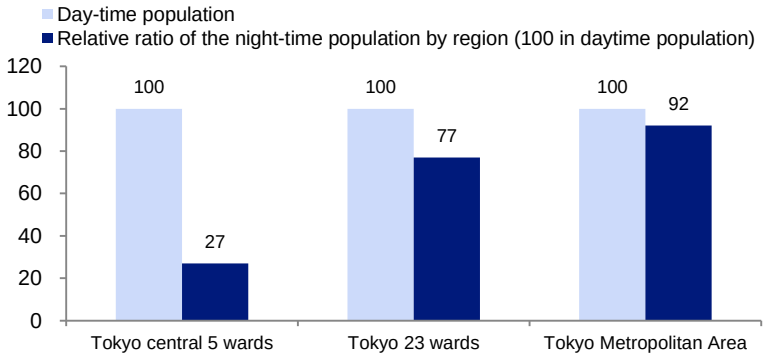
Urgent investigation in March



Urgent investigation in April



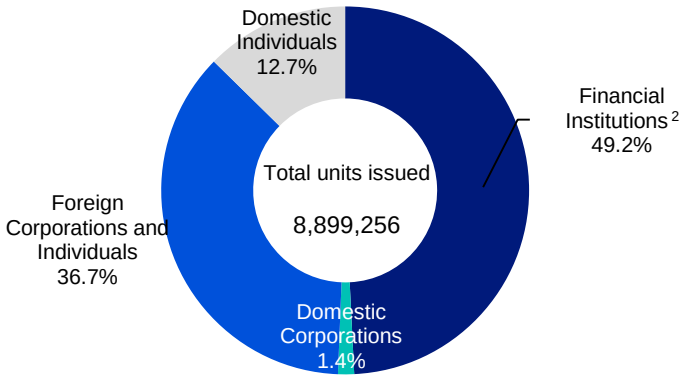
Relative ratio of the night-time population by region (100 in daytime population)



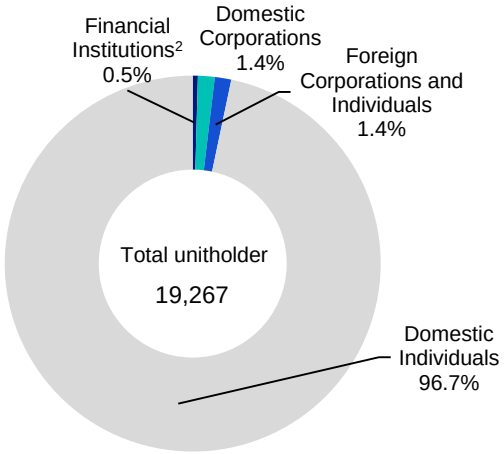
1 The "night-time population ratio" is calculated based on the night-time population/ daytime population in 2015 according to the Ministry of Internal Affairs and Communications.
2 Prepared based on materials disclosed by the Tokyo Metropolitan Government Headquarters for the Prevention of New Coronaviral Infectious Diseases.

Unitholders
As at the end of April 2020 (FP12)

Breakdown by units[1]



Breakdown by unitholders[1]



Major unitholders

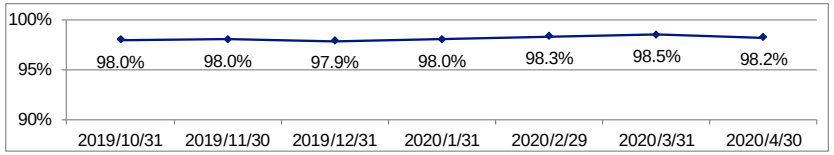
	Unitholders	Units owned	% of units issued[3]
1	The Master Trust Bank of Japan, Ltd. (trust account)	1,473,852	16.56
2	Japan Trustee Services Bank, Ltd. (trust account)	1,183,240	13.29
3	The Nomura Trust and Banking Co., Ltd. (investment trust account)	458,690	5.15
4	Trust & Custody Services Bank, Ltd. (securities investment trust account)	417,736	4.69
5	HSBC BANK PLC A/C CLIENTS, NON TREATY 1 [4]	269,112	3.02
6	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	180,000	2.02
7	STATE STREET BANK WEST CLIENT-TREATY 505234	154,183	1.73
8	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	135,830	1.52
9	SSBTC CLIENT OMNIBUS ACCOUNT	122,304	1.37
10	J.P. MORGAN BANK LUXEMBOURG S.A. 385576	120,118	1.34
	Total	**4,515,065**	**50.73**

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 269,112 units as trustee for the benefit of Invesco Investments (Bermuda) Ltd. is a subsidiary of Invesco Ltd., the parent company of the Asset Manager.

Achievements of individual assets
FP12 (ended April 30, 2020)

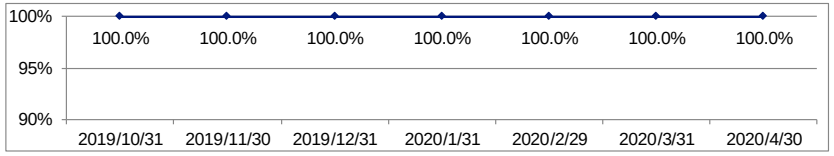
Ebisu Prime Square	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	98.0%	98.2%	0.3%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	1,562 ㎡	1,518 ㎡	44 ㎡

- In FP12 (4/2020), backfilling progressed smoothly with regard to the lease cancellation of the office portion, and the occupancy rate reached 98.8%. The total occupancy rate was 98.2% due to the removal of multiple tenants in the residential area.
- In FP13 (10/2020), IOJ will aim for early lease-up because 2.5 floors are scheduled to be vacant in the office.



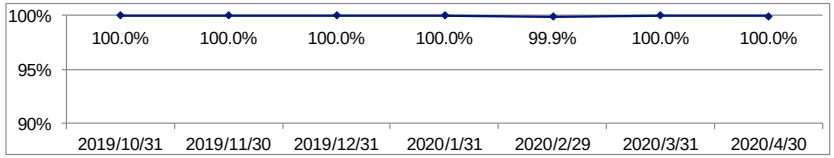
CS Tower	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

- In FP12 (4/2020), the occupancy rate reached 100% and the rent increase was agreed with the existing tenants.
- For one tenant, which will be renewed in FP13 (10/2020), a lease agreement was concluded with an increase in rent in FP12.



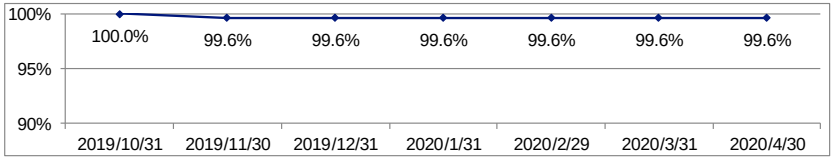
Queen's Square Yokohama	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	236 ㎡	250 ㎡	-14 ㎡

- Continuing from the previous period, the office part remained in high occupancy in FP12 (4/2020), maintaining almost 100% at the end of FP12. Also, IOJ achieved positive rent revisions for some existing tenants.
- IOJ will aim to maintain high occupancy rate in FP13 (10/2020). The rent increase negotiations aim to raise the rent level while confirming the economic situation and tenant trends.



Nagoya Prime Central Tower	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	99.6%	-0.4%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	53 ㎡	120 ㎡	-67 ㎡

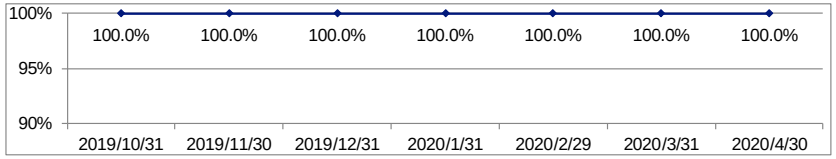
- Continuing from the previous period, the property maintained high occupancy rate in FP12 (4/2020), maintaining almost 100% at the end of FP12. Also, IOJ achieved positive rent revisions for the existing tenants.
- IOJ will aim to maintain high occupancy rate in FP13 (10/2020). The rent increase negotiations aim to raise the rent level while confirming the



Achievements of individual assets
FP12 (ended April 30, 2020)

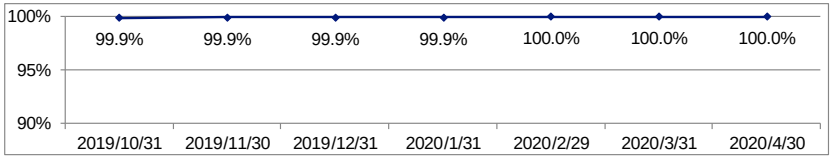
Tokyo Nissan Nishi-Gotanda Building	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

- The occupancy rate for FP12 (4/2020) was 100% for the full period, and IOJ succeeded in maintaining stable operation.
- In FP13 (10/2020), IOJ will continue to maintain good relations with tenants and aim for stable operation.



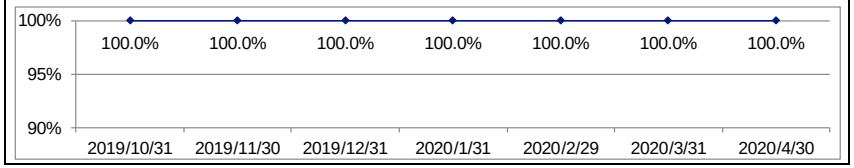
ORTO Yokohama	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	99.9%	100.0%	0.1%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	12 ㎡	0 ㎡	12 ㎡

- Continuing from the previous period, the property maintained high occupancy rate in FP12 (4/2020) and reached 100% at the end of FP12.
- In FP13 (10/2020), IOJ will focus on maintaining good relationships with the major tenants.



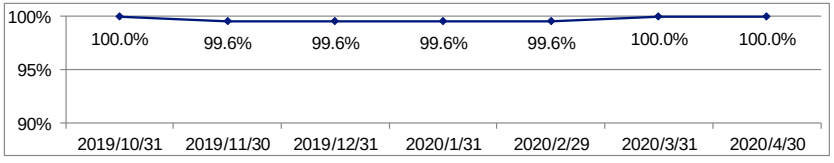
Nishi-Shinjuku KF Building	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	1,086 ㎡	1,086 ㎡	0 ㎡

- In FP12 (4/2020), 2 office tenants moved out but the backfillings were completed without downtime with an increase of 23.7% on average from the previous rents.
- In FP13 (10/2020), IOJ will aim for an early lease-up because 3 units are terminated in the residential area.



Shinagawa Seaside East Tower	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	124 ㎡	124 ㎡	0 ㎡

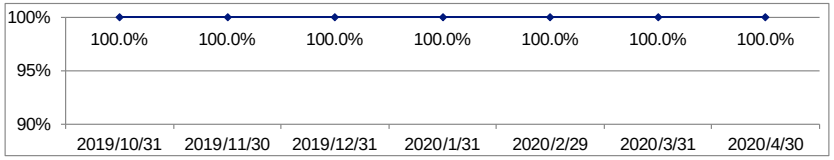
- In FP12 (4/2020), IOJ raised rents with multiple tenants. With regard to the lease cancellation of one retail tenant, IOJ achieved an early lease-up and the occupancy rate recovered to 100%.
- IOJ will aim to maintain high occupancy rate in FP13 (10/2020). For rent increase negotiations, IOJ will aim to raise rent levels while confirming economic conditions and industry trends of tenants.



Achievements of individual assets
FP12 (ended April 30, 2020)

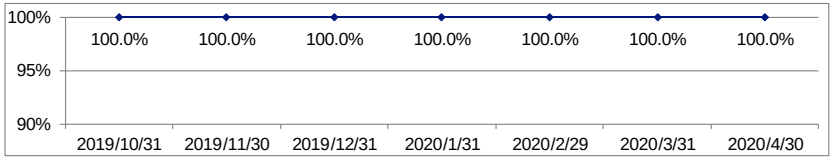
Akiba CO Building	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

・IOJ will aim to continuously conduct a stable asset management by maintaining good relationships with the tenant occupying the whole building.



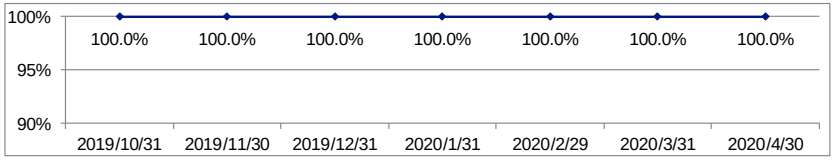
Sun Towers Center Building	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

・In FP12 (4/2020), the property maintained a 100% occupancy rate. In addition, IOJ successfully raised the rents for several existing tenants at a rent renewal timing through negotiations.
・In FP13 (10/2020), IOJ will aim for an early lease-up and raise the rent level because one lot is scheduled to be cancelled.



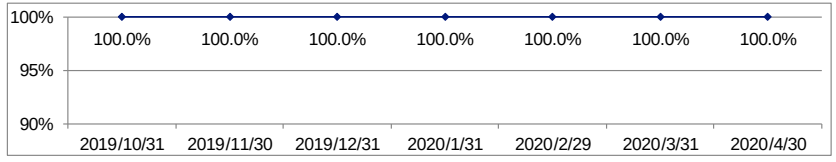
Hakata Prime East	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

・In FP12 (4/2020), the property maintained a 100% occupancy rate. In addition, IOJ successfully raised the rents of 5 existing tenants.
・Since one lease cancellation is scheduled for FP13 (10/2020), IOJ will conduct leasing activities for the succeeding tenants to maintain the occupancy rate and continue negotiations for revisions to increase rent levels.



Kinshicho Prime Tower	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	359 ㎡	359 ㎡	0 ㎡

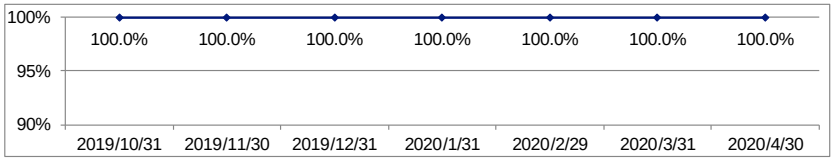
・In FP12 (4/2020), an office tenant moved out but the backfillings were completed without downtime with an increase of 35.7% from the previous rent. Also, IOJ succeeded in positive rent revisions for existing multiple tenants.
・IOJ will aim for an early lease-up because one office tenant is scheduled to move out in FP13 (10/2020). The rent increase negotiations aim to raise the rent level while confirming the economic situation and tenant



Achievements of individual assets
FP12 (ended April 30, 2020)

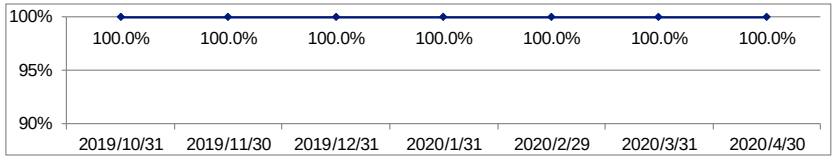
Aqua Dojima East	Occupancy rate at the end of Oct. 2019 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

- In FP12 (4/2020), the property achieved a 100% occupancy rate. In addition, IOJ successfully raised the rents of multiple existing tenants through negotiations.
- In FP13 (10/2020), IOJ will aim for an early lease-up since one retail tenant is scheduled to move out. Regarding rent increase negotiations, IOJ will aim to raise the rent level while confirming the economic situation and tenant trends.



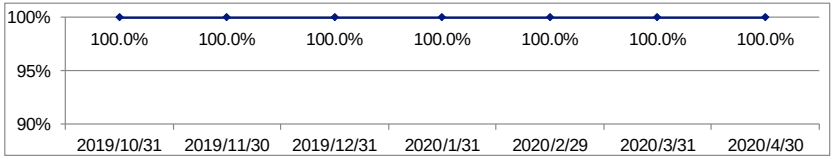
Nishi-Shinjuku Prime Square	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	278 ㎡	273 ㎡	5 ㎡

- In FP12 (4/2020), IOJ successfully raised the rents of several existing tenants.
- In FP13 (10/2020), IOJ will aim for an early lease-up since IOJ received partial lease cancellation. For rent increase negotiations, IOJ will aim to raise the rent level while confirming the economic situation and tenant trends.



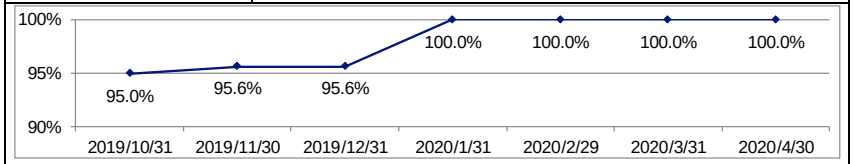
Kojimachi Crystal City	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

- In FP12 (4/2020), the property maintained a 100% occupancy rate. In addition, IOJ successfully raised the rents of several existing tenants through negotiations.
- In FP13 (10/2020), IOJ will aim for an early lease-up since one retail tenant is scheduled to move out.



Prime Tower Shin-Urayasu	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	95.0%	100.0%	5.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	1,127 ㎡	0 ㎡	1,127 ㎡

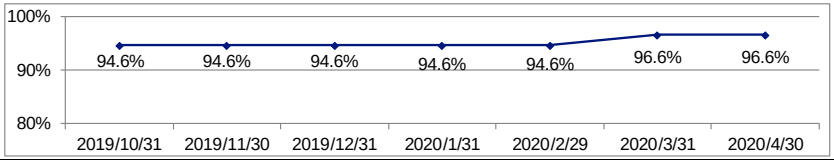
- The occupancy rate reached 100% due to successful leasing activities in FP12 (4/2020). In addition, IOJ successfully raised the rents of several existing tenants through negotiations.
- In FP13 (10/2020), although IOJ received 2 lease cancellation notices, new leasing was completed for one of them. For the remaining one lot, IOJ will aim to maintain high leasing by early leasing.



Achievements of individual assets
FP12 (ended April 30, 2020)

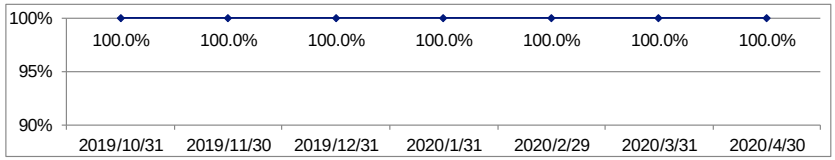
Techno Wave 100	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	94.6%	96.6%	2.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	497 ㎡	328 ㎡	169 ㎡

・The occupancy rate at the end of FP12 (4/2020) increased to 96.6% due to a new leasing, an increase in leased area and additional acquisition of the property. In addition, IOJ successfully raised the rent of one existing tenant through negotiations.
・IOJ will aim to maintain high occupancy rate in FP13 (10/2020). Regarding rent increase negotiations, IOJ will aim to raise the rent level while confirming the economic situation and tenant trends.



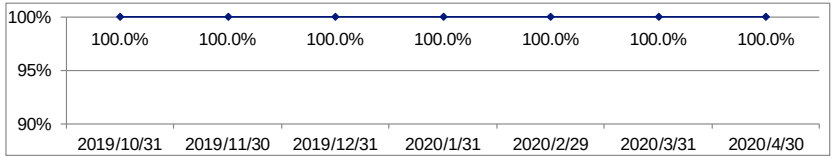
IBF Planning Building	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

・In FP12 (4/2020), the property maintained a 100% occupancy rate.
・In FP13 (10/2020), IOJ will continuously aim to keep the high occupancy rate by maintaining good relationships with the major tenants.



Otowa Prime Building	Occupancy Rate at the end of May. 2018 (A)	Occupancy rate at the end of Apr. 2020 (B)	(B)-(A)
	100.0%	100.0%	0.0%
	Move-in area (C)	Move-out area (D)	(C)-(D)
	0 ㎡	0 ㎡	0 ㎡

・In FP12 (4/2020), the property maintained a 100% occupancy rate.
・In FP13 (10/2020), 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 2020

Portfolio details

	Property name	Location	Purchase price (¥mm)	Appraisal value (¥mm)	Leasable area (sqm)	Investment ratio (%)	Age (Years)	NOI yield[1] (%)	Occupancy (%)	PML (%)
1	Ebisu Prime Square	Shibuya-ku, Tokyo	25,014	30,821	17,351.42	10.9	23	4.3	98.2	2.35
3	CS Tower [2]	Taito-ku, Tokyo	13,969	21,000	19,545.29	6.1	29	7.0	100.0	3.17
4	Queen's Square Yokohama	Yokohama-shi, Kanagawa	16,034	18,300	41,988.08	7.0	23	6.3	100.0	2.96
5	Nagoya Prime Central Tower	Nagoya-shi ,Aichi	14,600	22,600	17,117.10	6.4	11	6.3	99.6	3.61
6	Tokyo Nissan Nishi-Gotanda Building	Shinagawa-ku, Tokyo	6,700	7,900	8,522.42	2.9	30	5.8	100.0	7.14
7	ORTO Yokohama	Yokohama-shi, Kanagawa	13,000	14,700	23,593.92	5.7	19	6.6	100.0	4.94
8	Nishi-Shinjuku KF Building	Shinjuku-ku, Tokyo	6,600	8,080	6,287.78	2.9	27	4.6	100.0	5.03
9	Shinagawa Seaside East Tower	Shinagawa-ku, Tokyo	25,066	29,100	27,892.63	10.9	16	4.6	100.0	4.94
10	Akiba CO Building	Chiyoda-ku, Tokyo	8,078	9,810	5,514.42	3.5	20	4.0	100.0	6.18
11	Sun Towers Center	Setagaya-ku, Tokyo	6,615	8,620	8,005.61	2.9	28	6.0	100.0	0.96
13	Hakata Prime East	Fukuoka-shi, Fukuoka	4,500	5,320	7,018.01	2.0	28	5.6	100.0	1.56
14	Kinshicho Prime Tower	Koto-ku, Tokyo	15,145	17,800	17,606.11	6.6	26	5.2	100.0	2.79
15	Aqua Dojima East	Osaka-shi, Osaka	1,910	2,250	3,189.68	0.8	27	5.2	100.0	7.37
16	Nishi-Shinjuku Prime Square	Shinjuku-ku, Tokyo	34,835	39,500	23,596.63	15.2	31	4.2	100.0	4.88
17	Kojimachi Cristal City	Chiyoda-ku, Tokyo	6,405	7,370	5,741.61	2.8	28	4.8	100.0	3.63
18	Prime Tower Shin-Urayasu	Urayasu-shi, Chiba	11,860	13,000	22,326.66	5.2	30	5.0	100.0	4.56
19	Techno Wave 100 [3]	Yokohama-shi, Kanagawa	8,710	9,877	36,879.10	3.8	30	6.7	96.6	6.80
20	IBF Planning Building	Shibuya-ku, Tokyo	3,500	3,720	2,311.45	1.5	12	4.0	100.0	4.82
21	Otowa Prime Building	Bunkyo-ku, Tokyo	6,830	7,280	4,373.90	3.0	12	4.4	100.0	4.07
Total			229,371	277,048	298,861.81	100.0	24	5.2	99.5	2.69

1 NOI regarding the assets owned as of the end of FP12 are calculated by using the following formula: the actual NOI for FP12 / operating days during FP12*365 days. 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.

2 The “Purchase price” corresponds to the total portion which IOJ acquired on June 6, 2014 and January 30, 2020. CS Tower Annex acquired on June 6, 2014 was sold on March 20, 2019.

3 The “Purchase price” corresponds to the total portion which IOJ acquired on May 1, 2018, on May 22, 2019 and on March 31, 2020.

Portfolio information

Appraisal value overview

	Property name	Purchase price (JPY mm)	FP12 End (ended April 30, 2020)						FP11 End (ended October 31, 2019)	
			Appraisal value (JPY mm) (a)	(a)-(b)	Direct cap rate (%) (c)	(c)-(d)	Book value (JPY mm)	Unrealized gain/ loss (JPY mm)	Appraisal value (JPY mm)(b)	Direct cap rate (%)(d)
1	Ebisu Prime Square	25,014	30,821	686	3.2	0.0	25,283	5,538	30,135	3.2
2	CS Tower [1]	13,969	21,000	1,212	4.0	-0.1	14,109	6,891	19,788	4.1
3	Queen's Square Yokohama	16,034	18,300	-1,400	4.2	-0.1	15,899	2,401	19,700	4.3
4	Nagoya Prime Central Tower	14,600	22,600	800	4.1	0.0	13,664	8,936	21,800	4.1
5	Tokyo Nissan Nishi-Gotanda Building	6,700	7,900	-300	3.7	-0.1	6,820	1,080	8,200	3.8
6	ORTO Yokohama	13,000	14,700	-700	4.5	0.0	12,605	2,095	15,400	4.5
7	Nishi-Shinjuku KF Building	6,600	8,080	60	3.5	-0.1	6,823	1,257	8,020	3.6
8	Shinagawa Seaside East Tower	25,066	29,100	0	3.6	0.0	24,808	4,292	29,100	3.6
9	Akiba CO Building	8,078	9,810	170	3.4	-0.1	8,256	1,554	9,640	3.5
10	Sun Towers Center	6,615	8,620	170	3.9	0.0	6,778	1,842	8,450	3.9
11	Hakata Prime East	4,500	5,320	40	4.4	0.0	4,509	811	5,280	4.4
12	Kinshicho Prime Tower	15,145	17,800	600	3.9	-0.1	15,605	2,195	17,200	4.0
13	Aqua Dojima East	1,910	2,250	0	3.9	0.0	1,939	311	2,250	3.9
14	Nishi-Shinjuku Prime Square	34,835	39,500	0	3.5	0.0	36,348	3,152	39,500	3.5
15	Kojimachi Cristal City	6,405	7,370	110	3.4	-0.1	6,371	999	7,260	3.5
16	Prime Tower Shinurayasu	11,860	13,000	0	4.1	-0.1	12,125	875	13,000	4.2
17	Techno Wave 100 [2]	8,210	9,270	30	4.9	0.0	9,200	677	9,240	4.9
		500	607	0	5.0	0.0			607	5.0
18	IBF Planning Building	3,500	3,720	-60	3.6	0.0	3,548	172	3,780	3.6
19	Otowa Prime Building	6,830	7,280	50	3.8	0.0	6,855	425	7,230	3.8
Total		229,371	277,048	1,468	3.8	0.0	231,552	45,495	275,580	3.8

1 As for the “Appraisal value” for FP12, the number described above was evaluated by totaling the portions which IOJ acquired on June 6, 2014 and January 30, 2020 as entire property. For the “Appraisal value” for FP11, the figure was evaluating by totaling the two components, the appraisal value of the portion which IOJ acquired on June 6, 2014 as of FP11 end and the appraisal value at the time of acquisition of the portion which IOJ acquired on January 30, 2020.

2 With regard to the “Purchase price”, the upper row corresponds to the portion which IOJ acquired on May 1, 2018 and May 22, 2019 and the lower row corresponds to the portion which IOJ acquired on March 31, 2020. As for “Appraisal value”, the number described in the upper row was evaluated by totaling the two portions, acquired on May 1, 2018 and on May 22, 2019, as entire property. The number described in the lower row corresponds to the portion acquired on March 31, 2020. The “Appraisal value” in the lower row of FP11 is the appraisal value at the time of acquisition of the portion acquired on March 31, 2020.

Key facts
As at the end of April 2020

Properties	
No. of properties	19 properties
Total purchase price	¥ 229.3 bn
Appraisal value	¥ 277.0 bn
NOI yield NOI yield after deprecation	5.2 % 4.3 %
Average total floor area[1]	56,784.83 sqm
Total leasable area	298,861.81 sqm
% in Tokyo metropolitan area[2]	85.7 %
FP12 average occupancy rate	99.3 %

Financials	
FP13 (10/2020) DPU forecast FP14 (4/2021) DPU forecast	¥ 388 ¥ 370
FP12 FFO per unit FP12 AFFO per unit	¥ 521 ¥ 436
NAV per unit	¥ 17,534
FP12 book value per unit	¥ 12,824
Dividend yield (as of 5/2020)	5.0 %
LTV book value LTV appraisal value	49.4 % 41.9 %
JCR long-term issuer rating (as of December 16, 2019)	AA-/ Stable

1 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

Financial statements
Balance sheets (Assets)

(Unit: Thousands of yen)

	Previous fiscal period as of October 31, 2019	Current fiscal period as of April 30, 2020
ASSETS		
Current assets:		
Cash and bank deposits	4,575,660	4,870,738
Entrusted cash and entrusted bank deposits	16,818,424	17,017,936
Accounts receivables - operating	519,736	456,804
Income taxes receivables	-	11
Short-term prepaid expenses	370,999	378,764
Derivative assets	3,422	5,527
Other current assets	26,373	14,564
Total current assets	**22,314,617**	**22,744,347**
Non-current assets:		
Property and equipment		
Entrusted buildings	52,113,628	53,101,617
Accumulated depreciation	(7,052,856)	(8,021,636)
Entrusted buildings, net	45,060,772	45,079,980
Entrusted building improvements	354,140	354,565
Accumulated depreciation	(172,116)	(191,425)
Entrusted building improvements, net	182,024	163,139
Entrusted machineries	64,050	64,050
Accumulated depreciation	(13,720)	(16,911)
Entrusted machineries, net	50,330	47,139
Entrusted furniture and equipment	215,682	242,424
Accumulated depreciation	(82,687)	(101,614)
Entrusted furniture and equipment, net	132,994	140,810
Entrusted land	185,237,792	186,097,202
Entrusted construction in progress	7,169	24,244
Total property and equipment	**230,671,084**	**231,552,516**
Intangible assets:		
Other intangible assets	1,024	796
Total intangible assets	1,024	796
Investment and other assets:		
Security deposits and guarantee deposits	10,088	10,088
Long-term prepaid expenses	480,908	418,179
Derivative assets	5,037	7,972
Deferred tax assets	56,954	29,422
Others	820,626	836,294
Total investment and other assets	**1,373,615**	**1,301,958**
Total non-current assets	**232,045,724**	**232,855,271**
Deferred assets:		
Investment corporation bonds issuance expenses	62,719	53,901
Total deferred assets	**62,719**	**53,901**
TOTAL ASSETS	**254,423,061**	**255,653,520**

Financial statements
Balance sheets (Liabilities and net assets)

(Unit: Thousands of yen)

	Previous fiscal period as of October 31, 2019	Current fiscal period as of April 30, 2020
LIABILITIES		
Current liabilities:		
Accounts payable – operating	787,862	620,020
Short-term borrowings	6,980,000	7,480,000
Current portion of long-term borrowings	23,950,000	27,500,000
Accounts payable – other	522,384	536,658
Accrued expenses	69,615	67,315
Income taxes payable	609	605
Consumption tax payable	16,206	297,634
Rent received in advance	917,132	1,026,199
Derivative liabilities	-	6,238
Other current liabilities	47,351	36,765
Total current liabilities	**33,291,163**	**37,571,437**
Non-current liabilities:		
Investment corporation bonds	14,400,000	14,400,000
Long-term borrowings	80,450,000	76,900,000
Entrusted tenant leasehold and security deposits	12,188,758	12,554,778
Derivative liabilities	189,495	100,784
Total non-current liabilities	**107,228,254**	**103,955,562**
TOTAL LIABILITIES	**140,519,417**	**141,527,000**
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	111,347,459	111,347,459
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	-86,433	-122,030
Other deduction from unitholders' capital	-799,984	-799,984
Total deduction from unitholders' capital	-886,418	-922,015
Unitholders' capital, net	110,461,041	110,425,444
Surplus:		
Retained earnings	3,566,683	3,765,175
Total surplus	3,566,683	3,765,175
Total Unitholders' equity	**114,027,724**	**114,190,620**
Valuation and translation adjustments:		
Deferred gains or losses on hedges	-124,081	-64,100
Total valuation and translation adjustments	-124,081	-64,100
TOTAL NET ASSETS	113,903,643	114,126,519
TOTAL LIABILITIES AND NET ASSETS	**254,423,061**	**255,653,520**

Financial statements
Statement of income

(Unit: Thousands of yen)

	Previous fiscal period from May 1, 2019 to October 31, 2019	Current fiscal period from November 1, 2019 to April 30, 2020
Operating revenues		
Rental revenues	7,813,870	7,953,357
Other rental revenues	820,932	705,563
Total operating revenues	8,634,803	8,658,921
Operating expenses		
Property-related expenses	3,835,089	3,697,518
Asset management fees	717,560	734,726
General administration and custodian fees	20,275	20,092
Compensation for directors	3,600	4,000
Other operating expenses	70,552	79,175
Total operating expenses	4,647,077	4,535,513
Operating income	**3,987,726**	**4,123,407**
Non-operating revenues		
Interest income	70	76
Refund of unpaid distributions	525	1,503
Interest income on tax refund	-	176
Other non-operating revenues	-	14
Total non-operating revenues	596	1,769
Non-operating expenses		
Interest expense	285,521	275,949
Interest expense on investment corporation bonds	35,769	35,469
Amortization of investment corporation bonds issuance costs	8,818	8,818
Public offering costs	16,670	-
Financing costs	168,750	169,114
Other non-operating expenses	1,580	1,615
Total non-operating expenses	517,110	490,966
Ordinary income	**3,471,211**	**3,634,210**
Net income before income taxes	**3,471,211**	**3,634,210**
Current income taxes	620	605
Deferred tax expenses	147	0
Total income taxes	768	605
Net income	**3,470,442**	**3,633,605**
Retained earnings at the beginning of the period	**96,240**	**131,570**
Retained earnings at the end of the period	**3,566,683**	**3,765,175**

Financial statements
Statements of cash flows

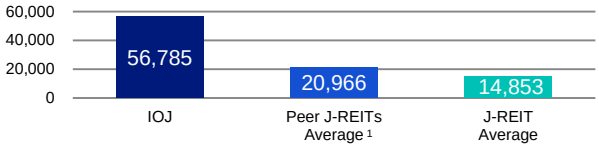
(Unit: Thousands of yen)

	Previous fiscal period from May 1, 2019 to October 31, 2019	Current fiscal period from November 1, 2019 to April 30, 2020
Cash flows from operating activities:		
Net income before income taxes	3,471,211	3,634,210
Depreciation expenses	986,981	1,010,434
Amortization of investment corporation bonds issuance costs	8,818	8,818
Public offering costs	16,670	-
Financing costs	168,750	169,114
Interest income	(70)	(76)
Interest expense	321,291	311,418
(Increase) decrease in accounts receivables - operating	29,126	62,932
(Increase) decrease in accounts receivables	98	-
(Increase) decrease in income taxes receivable	-	(11)
(Increase) decrease in short-term prepaid expenses	(27,667)	(21,646)
(Increase) decrease in long-term prepaid expenses	(521)	20,135
(Increase) decrease in other current assets	(20,599)	(3,859)
Increase (decrease) in accounts payable - operating	120,156	(142,936)
Increase (decrease) in accounts payable - other	26,397	14,243
Increase (decrease) in consumption tax payable	(386,460)	281,428
Increase (decrease) in rental received in advance	46,762	109,067
Increase (decrease) in other current liabilities	15,925	(12,087)
Subtotal	4,776,870	5,441,186
Interest received	70	76
Interest expenses paid	(337,181)	(313,719)
Income taxes paid	(2,798)	(609)
Net cash provided by (used in) operating activities	**4,436,962**	**5,126,932**
Cash flows from Investing activities:		
Purchase of entrusted property and equipment	(8,947,704)	(1,916,545)
Net cash provided by (used in) investing activities	**(8,947,704)**	**(1,916,545)**
Cash flows from Financing activities:		
Proceeds from short-term borrowings	11,460,000	500,000
Repayments of short-term borrowings	(8,980,000)	-
Proceeds from long-term borrowings	14,000,000	13,350,000
Repayments of long-term borrowings	(12,000,000)	(13,350,000)
Payment of financing costs	(177,490)	(112,640)
Proceeds from issuance of investment units	4,002,911	-
Payment of investment units issuance costs	-	(646)
Distribution to unitholders	(3,533,805)	(3,468,530)
Net cash provided by (used in) financing activities	**4,771,615**	**(3,081,817)**
Net change in cash and cash equivalents	**260,873**	**128,570**
Cash and cash equivalents at the beginning of period	8,944,452	9,205,325
Cash and cash equivalents at the end of period	**9,205,325**	**9,333,896**

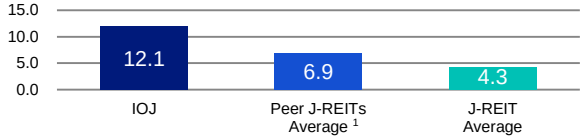
Peer comparison
As of May 29, 2020

Asset quality

Average total floor area (sqm)

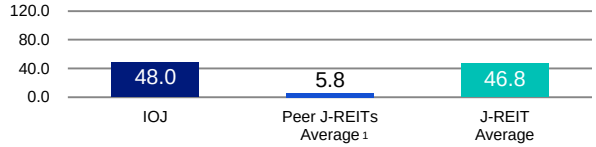


Average purchase price (¥ bn)



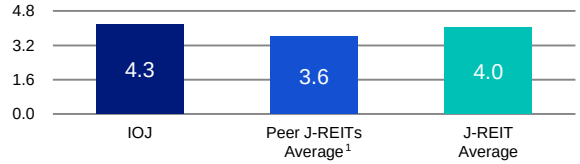
Growth

AUM growth (%) 2



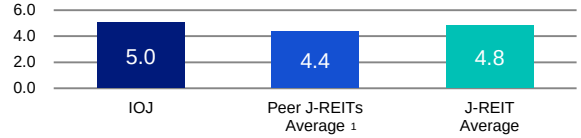
Profitability

NOI yield after depreciation (%) 3

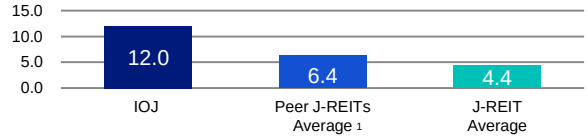


Valuation

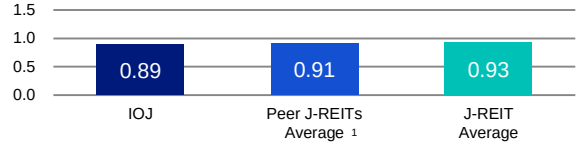
Dividend yield (%) 4



DPU growth (%) 5

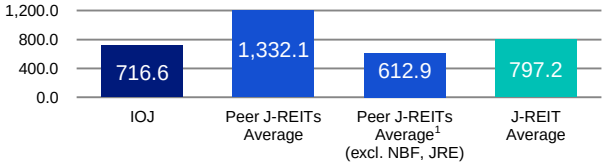


P/NAV 6



Liquidity

Daily trading volume (¥ mm) 7



1 Based on disclosed data as of May 29, 2020. “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 calculated as the percentage increase in AUM between the latest disclosed financial period and six financial periods before.
3 “NOI yield after depreciation” of peer J-REITs aver. and J-REIT aver. are calculated by the following formula: total NOI /operating days×365 days/ total purchase price as of May 29, 2020.
4 “Dividend yield” of peer J-REITs average and J-REIT average are calculated by the following formula: each J-REIT’s current DPU forecast as of May 29, 2020, 2019/ operating days of the fiscal period×365 days/ share price as of May 29, 2020.
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. However, dividend growth for IOJ and Peer J-REITs are calculated base on adjusted DPU which eliminated temporary factors, such as gains on sales of real estate, etc. from the actual amount of DPU.
6 “P/NAV” of peer J-REITs average and J-REIT average are calculated using the following formula: total market capitalization divided by total NAV. Calculated using share price as of May 29, 2020. In addition, IOJ’s P/NAV is calculated by NAV (¥17,534) in FP12.
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 29, 2020.
Source: Disclosure material, Bloomberg, Capital IQ

Definitions

IOJ	Invesco Office J-REIT, Inc.
IGRE/ the Asset Manager	Invesco Global Real Estate Asia Pacific Inc.
NOI (Net Operating Income)	Revenues from the real estate rental business – expenses for the real estate rental business + depreciation
Tokyo Metropolitan Area	Based on IOJ's investment policy, it includes Tokyo Metropolis, Yokohama city, Kawasaki city, Saitama city and Chiba city
Tokyo central 5 wards	Chiyoda-ward, Chuo-ward, Minato-ward, Shinjuku-ward and Shibuya-ward
PML (Probable Maximum Loss)	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
Office rent fluctuation rate by tenant turnover	Calculated by weighted average of the rent for new leasing agreement for office and the rent concluded in the previous leasing agreement based on leased area
Office rent fluctuation rate upon positive rent renewals	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
Office rent renewal floor space	Indicates the percentage of renewed area 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)
Portfolio average rent	A weighted average of total monthly rent for office with fee for common areas divided by the leased area as at the end of the fiscal period
Market average 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
Rent gap	(Market average rent –portfolio average rent) / Market average rent
FFO (Fund from Operation)	Net income + depreciation expense – gain on sales of property
AFFO (Adjusted Fund from Operation)	Net income + depreciation expense – gain on sales of property – capital expenditures

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- 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.
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