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REIT Financial Report for the 35th Fiscal Period

July 21, 2023

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 Stock Code No.: 8976 URL: <https://www.daiwa-office.co.jp/en>
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 22, 2023

Scheduled date of start of distribution payments: August 15, 2023

Preparing presentation material: Yes

Holding financial brief meeting: Yes (for institutional investors and analysts)

[Amounts are rounded down to the nearest million yen, except for per unit figures]

1. Status of Management and Assets for the 35th Fiscal Period

35th Fiscal Period: Fiscal period ended May 2023 (from December 1, 2022 to May 31, 2023)

(1) Management Status

[% figures show the period-over-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
35th Period	¥15,050 million	8.3%	¥7,665 million	8.5%	¥7,100 million	9.3%	¥7,099 million	9.0
34th Period	¥13,891 million	(4.0%)	¥7,062 million	(10.9%)	¥6,494 million	(13.3%)	¥6,512 million	(13.1%)

	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
35th Period	¥14,845	2.9%	1.5%	47.2%
34th Period	¥13,561	2.6%	1.3%	46.8%

(Note) Net income per unit is calculated using the following average number of investment units during the period.

35th Fiscal Period: 478,258 units; 34th Fiscal Period: 480,206 units

(2) Distributions

	Distribution amount per unit (excluding distribution amount in excess of earnings)	Total distribution amount (excluding distribution amount in excess of earnings)	Distribution amount in excess of earnings per unit	Total distribution amount in excess of earnings	Dividend payout	Distribution amount to net assets
35th Period	¥13,700	¥6,552 million	¥-	¥- million	92.3%	2.6%
34th Period	¥13,700	¥6,552 million	¥-	¥- million	100.6%	2.6%

(Note) Distribution amount per unit for the 35th Fiscal Period is calculated by dividing the entire amount remaining after deducting provision of reserve for reduction entry (¥547 million) from unappropriated retained earnings by the total number of investment units issued and outstanding. The main difference between distribution amount per unit and net income per unit is due to the calculation.

Distribution amount per unit for the 34th Fiscal Period is calculated by dividing ¥6,552 million, the total distribution amount considering the reversal of part of internal reserves of ¥58 million (the sum total of ¥40 million of reserve for reduction entry and ¥18 million of deferred tax liabilities), by the total number of investment units issued and outstanding. The main difference between distribution amount per unit and net income per unit is due to the reversal of reserve for reduction entry. As acquisition and cancellation of own investment units were carried out during the period, dividend payout for the 34th Fiscal Period is obtained by using the following calculation formula, rounded to one decimal place.

Dividend payout = Total distribution amount (excluding distribution amount in excess of earnings) / Net income × 100

(3) Financial Position

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
35th Period	¥482,471 million	¥247,849 million	51.4%	¥518,232
34th Period	¥481,049 million	¥247,491 million	51.4%	¥517,484

(4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
35th Period	¥14,888 million	(¥2,346 million)	(¥4,551 million)	¥30,798 million
34th Period	¥8,343 million	(¥2,551 million)	(¥9,755 million)	¥22,808 million

2. Management Status Forecasts for the 36th Fiscal Period and Management Status for the 37th Fiscal Period

36th Fiscal Period: Fiscal period ending November 2023 (from June 1, 2023 to November 30, 2023)

37th Fiscal Period: Fiscal period ending May 2024 (from December 1, 2023 to May 31, 2024)

[% figures show the period-over-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
36th Period	¥13,853 million	(7.9%)	¥6,720 million	(12.3%)	¥6,108 million	(14.0%)	¥6,107 million	(14.0%)
37th Period	¥13,932 million	0.6%	¥6,818 million	1.5%	6,170 million	1.0%	¥6,169 million	1.0%

	Distribution amount per unit (excluding distribution amount in excess of earnings)		Distribution amount in excess of earnings per unit	
	Amount	% change	Amount	% change
36th Period	¥13,700		¥-	
37th Period	¥13,700		¥-	

(Reference) Estimated net income per unit for the 36th Fiscal Period: ¥12,770; 37th Fiscal Period: ¥12,900

(Note) Distribution amount per unit for the 36th Fiscal Period is calculated based on the assumption that the amount after adding reversal of reserve for reduction entry (¥444 million) to unappropriated retained earnings will be distributed. Reversal of reserve for reduction entry may change depending on the management status.

Distribution amount per unit for the 37th Fiscal Period is calculated based on the assumption that the amount after adding reversal of reserve for reduction entry (¥382 million) to unappropriated retained earnings will be distributed. Reversal of reserve for reduction entry may change depending on the management status.

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- (i) Changes in accounting policies due to amended accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(2) Total number of investment units issued and outstanding

- (i) Total number of investment units issued and outstanding at end of period (including treasury units):
35th Period: 478,258 units 34th Period: 478,258 units
- (ii) Total number of treasury units at end of period:
35th Period: - units 34th Period: - units

(Note) Please refer to “Notes to Per Unit Information” on page 27 for the number of investment units used as the basis for calculating the net income per unit.

* This financial report (*kessan tanshin*) is exempt from the audit by a certified public accountant or an auditing company.

* Special note

The forecast figures are forward-looking statements based on information currently available to Daiwa Office Investment Corporation and involve uncertainties. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution amount per unit and distribution amount in excess of earnings per unit may vary due to changes in the status. Moreover, the forecasts set forth herein should not be construed as a guarantee of distribution amounts. For details on the assumptions underlying the forecast figures above, please refer to “Assumptions for the Management Status Forecasts for the 36th Fiscal Period and 37th Fiscal Period” on page 9.

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1. Management Status

1.1. Management Status

1.1.1. Overview of the Fiscal Period Under Review

A. Brief History of the Investment Corporation

The Investment Corporation was established on July 11, 2005, in accordance with the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; including amendments thereto) with Daiwa Real Estate Asset Management Co., Ltd. (former name K.K. daVinci Select) (the “Asset Manager”) as the organizer. After its establishment, the Investment Corporation implemented an additional issuance of investment units through a public offering (99,600 units) on October 18, 2005 and then listed on the Tokyo Stock Exchange, Inc. (TSE) Real Estate Investment Trust Section (stock code: 8976) on the following day.

Though initial assets under management were 79,573 million yen (sum total of acquisition price), subsequent activities, such as additional acquisition of properties and replacement of portfolio properties, resulted in the assets under management amounting to 462,586 million yen as of the last day of May 2023.

The Investment Corporation strives to secure stable revenue and sustained growth of the investment assets based on a clear portfolio development policy of specializing in investment in office buildings, with a particular focus on investment in a total floor area of more than about 2,000 m² situated in downtown Tokyo, as well as through dedicated efforts to heighten tenant satisfaction levels.

B. Investment Environment and Management Performance

a. Investment Environment

The Japanese economy during the fiscal period under review saw a lifting of behavioral restrictions related to COVID-19 and moved toward the normalization of economic and social activities. The real GDP growth rate (Second Preliminary Estimates) for January to March 2023 sat an annual rate of +2.7%, registering positive growth for two consecutive quarters. Meanwhile, as the global trend among central banks toward monetary tightening continues, there is risk of downward pressure on the Japanese economy from a slowdown in overseas economies, and there is the need to continue monitoring the impact of rising prices, supply-side restrictions, and fluctuation in the financial and capital markets.

In the office building leasing market in central Tokyo, the average vacancy rate has hovered about 6% since June 2021, and was 6.16% as of the end of May 2023 (Miki Shoji’s average vacancy rate for the five central wards of Tokyo). On the back of the downgrade of COVID-19 to a Class 5 disease, even though the pace of returning to the office has progressed gradually, the situation remains unpredictable as conditions have not recovered to pre-pandemic levels while a hybrid work style of in-office and telecommuting continue to take root.

However, for the office building transaction market, the appetite for property acquisitions remained strong among real estate companies, funds (including J-REITs) and overseas investors with no material change made to the proactive lending attitude by financial institutions. Nevertheless, future developments warrant close monitoring.

b. Management Performance

In view of increasing the ordinary EPS (EPS (net income per unit) after deducting gain on sale from properties) over the medium to long term, the Investment Corporation continued to work on “external growth,” which aims to boost revenue through acquisition of properties, and “internal growth,” which aims to maximize income generating from owned properties.

Concerning external growth, the Investment Corporation sold “Daiwa SHIBUYA EDGE” (sale price: ¥7,313 million). As a result, the Investment Corporation’s assets under management as of the end of the 35th Fiscal Period (May 31, 2023) totaled 58 properties, the sum total of acquisition prices of which amounted to 462,586 million yen. Alongside the acquisition of properties including future development projects, the Investment Corporation will pursue initiatives to enhance the quality of its portfolio.

Concerning internal growth, the Investment Corporation conducted proactive leasing, such as capturing needs for floor expansion within the same property through strengthening relationships with existing tenants and reinforcing collaboration with leasing brokers and property managers. Consequently, the occupancy rate as of the end of the 35th Fiscal Period (May 31, 2023) was 97.7%.

C. Overview of Capital Procurement

a. Procurement of Capital for Repayment of Borrowings

In the 35th Fiscal Period, the Investment Corporation made the following borrowings to fund the acquisition of new properties and the repayment of borrowings.

- (i) The Investment Corporation took out a loan of 2,000 million yen from Sumitomo Mitsui Banking Corporation on December 30, 2022 to fund the acquisition of the new property acquired on November 30, 2022 (Daiwa Nihonbashi Bakurocho).
- (ii) The Investment Corporation took out loans totaling 6,500 million yen from Sumitomo Mitsui Banking Corporation, the Development Bank of Japan Inc., Mizuho Bank, Ltd. and Resona Bank, Limited on February 28, 2023 to fund the repayment of the same amount borrowed from the same banks due for repayment on the same day.
- (iii) The Investment Corporation took out loans totaling 6,500 million yen from Sumitomo Mitsui Banking Corporation, SBI Shinsei Bank Limited and The Bank of Fukuoka, Ltd. on May 31, 2023, to fund the repayment of the same amount borrowed from the same banks due for repayment on the same day.

The Investment Corporation concluded interest-rate swap agreements in the 35th Fiscal Period for 1,000 million yen of loans with floating interest rates. Converting the interest payable to fixed rates, these are for the purpose of hedging against future interest rate fluctuation risks.

b. Status of Interest-Bearing Liabilities at End of the Fiscal Period under Review

As a result of the above, the balance of interest-bearing liabilities outstanding as of the end of the 35th Fiscal Period (May 31, 2023) stood at 207,800 million yen in total (short-term loans payable: 2,000 million yen; long-term loans payable: 196,800 million yen; investment corporation bonds: 9,000 million yen). The balance of the current portion of long-term loans payable stood at 25,600 million yen.

The average remaining period of interest-bearing liabilities as of the end of the 35th Fiscal Period stands at 4.1 years.

List of Borrowings in the 35th Fiscal Period

Lender	Loan amount (Millions of yen)	Drawdown date	Repayment date	Loan period (Years)
Sumitomo Mitsui Banking Corporation	2,000	December 30, 2022	December 29, 2023	1.0
Resona Bank, Limited	2,500	February 28, 2023	February 28, 2031	8.0
Sumitomo Mitsui Banking Corporation	1,500	February 28, 2023	February 28, 2030	7.0
Mizuho Bank, Ltd.	1,000	February 28, 2023	February 28, 2030	7.0
Development Bank of Japan Inc.	1,500	February 28, 2023	February 28, 2029	6.0
Sumitomo Mitsui Banking Corporation	2,500	May 31, 2023	November 28, 2031	8.5
SBI Shinsei Bank, Limited	1,000	May 31, 2023	November 28, 2031	8.5
SBI Shinsei Bank, Limited	1,500	May 31, 2023	May 30, 2031	8.0
The Bank of Fukuoka, Ltd.	1,500	May 31, 2023	May 30, 2031	8.0

Balance of Borrowings from Each Financial Institution (As of May 31, 2022)

Lender	End of the 35th Fiscal Period (Millions of yen)	Share (%) (Note)
Sumitomo Mitsui Banking Corporation	42,400	21.33
Sumitomo Mitsui Trust Bank, Ltd.	24,500	12.32
Development Bank of Japan Inc.	21,750	10.94
MUFG Bank, Ltd.	20,450	10.29
Mizuho Bank, Ltd.	19,400	9.76
SBI Shinsei Bank, Limited	14,500	7.29
Resona Bank, Limited	12,500	6.29
Mizuho Trust and Banking Co., Ltd.	9,500	4.78
The Bank of Fukuoka, Ltd.	6,500	3.27
Kansai Mirai Bank, Ltd.	5,000	2.52
The Nishi-Nippon City Bank Ltd.	3,000	1.51
The 77 Bank, Ltd.	3,000	1.51
The Norinchukin Bank	3,000	1.51
The Gunma Bank, Ltd.	2,500	1.26
The Musashino Bank, Ltd.	2,000	1.01
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,000	1.01
The Yamaguchi Bank, Ltd.	2,000	1.01
Nippon Life Insurance Company	1,300	0.65
The Hyakugo Bank, Ltd.	1,000	0.50
The Yamanashi Chuo Bank, Ltd.	1,000	0.50
Momiji Bank, Ltd.	1,000	0.50
Taiyo Life Insurance Company	300	0.15
Fukoku Mutual Life Insurance Company	200	0.10
Total	198,800	100.00

(Note) Share is rounded to two decimal places.

c. Rating Information

(As of May 31, 2023)

Credit rating agency	Rating	Outlook
Rating and Investment Information, Inc. (R&I)	AA-	Stable
Japan Credit Rating Agency, Ltd. (JCR)	AA	Stable

d. Shelf Registration

The Investment Corporation filed a shelf registration statement pertaining to investment corporation bonds on October 1, 2021, as below. The total issuable amount as of the date of this document is 100.0 billion yen.

Investment corporation bonds (excluding short-term investment corporation bonds)	
Planned issue amount	100,000 million yen
Planned issue period	From October 9, 2021 to October 8, 2023
Use of funds	Funds for acquisition of specified assets, repayment of borrowings, redemption of investment corporation bonds (including short-term investment corporation bonds), refund of leasehold and security deposits, payment of repairs, and funds for working capital, etc.

D. Sustainability Initiatives

The Investment Corporation recognizes that emphasizing ESG in asset management would contribute to the enhancement of corporate value over the medium to long term. With this in mind, the Investment Corporation takes into account the changes in various sustainability issues and the ever diversifying needs of stakeholders as it pursues sustainability initiatives in an organized manner.

As initiatives for the environment, efforts are being made to reduce the environmental load of the portfolio through energy saving and reduction of greenhouse gas emissions by installing/adopting highly energy-efficient LED lighting and other measures for reducing environmental load, and through water saving and other effective utilization of limited resources. In addition, as of the date of submission of this document, the total number of properties owned by the Investment Corporation that have obtained environmental certification (Note 1) is 32 properties and the ratio of such properties to the entire portfolio (based on total floor area of the portfolio properties) is 61.9%.

As initiatives for society, efforts are being made to heighten tenant satisfaction levels and contribute to the sustained development of local communities by coordinating and working together with the outside parties involved in the portfolio properties by forming favorable relationships with them. Initiatives are also taken to support pediatric medical care through the installation of donation vending machines at portfolio properties, to make donations to NPOs and other organizations engaged in child abuse prevention activities, and to support people with disabilities through art displayed at the management companies.

As initiatives for corporate governance, the Asset Manager ensures thorough prevention of conflicts of interest, risk management and legal compliance, and adopts an asset management fee system that focuses on linking with unitholder interests and is linked to management results.

The Investment Corporation has continued to participate in GRESB Real Estate Assessment since 2011, earning the rating of Green Star, which is awarded to participants excelling in both the “Management Component” (assessment of which includes the ESG promotion policy and organizational structure) and the “Performance Component” (assessment of which includes the portfolio properties’ environmental performance and initiatives with tenants), for 11 consecutive years in 2022. Furthermore, in the GRESB Rating, which assigns a rating out of five stars based on where the participant’s overall score ranks globally, the Investment Corporation earned the highest rating of “5 Star.” Also, in the 2022 GRESB Public Disclosure assessment, which measures the comprehensiveness of ESG information disclosure, the Investment Corporation was assessed as providing outstanding information disclosure relating to environmental and sustainability initiatives, receiving the highest rating of “A” on the five-tiered evaluation scale for two consecutive years.

The Asset Manager established the “Climate Change and Resilience Policy” in December 2021 to promote the clarification of its policy and system on the initiatives for climate-related issues and the expansion of disclosure of the details of initiatives, and expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (Note 2). In addition, it joined the TCFD consortium, a group of domestic companies that support TCFD recommendations, in January 2022. Based on the four items whose information disclosure is recommended in the TCFD recommendations (governance, strategy, risk management, and indicators and targets), a qualitative scenario analysis of business risks and opportunities caused by the response to climate change has been conducted and disclosed on the Investment Corporation’s website from July 2022.

(Note 1) The environmental certifications which the properties owned by the Investment Corporation have acquired include CASBEE for Real Estate Certification, DBJ Green Building Certification and BELS Certification.

(Note 2) The Task Force on Climate-related Financial Disclosure (TCFD) is an international initiative established by the Financial Stability Board (“FSB”) at the request of the G20 for the purpose of discussing the disclosures of climate-related financial information and the responses by financial institutions.

E. Overview of Financial Performance and Distributions

As a result of the management described above, the Investment Corporation posted financial performance for the 35th Fiscal Period of 15,050 million yen in operating revenue, 7,665 million yen in operating income, 7,100 million yen in ordinary income and 7,099 million yen in net income.

Concerning distributions, it is planned that the amount equivalent to distributions from earnings would be included in the amount of tax-deductible expenses based on application of special provisions for taxation of corporation tax (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (the “Special Taxation Measures Act”). Accordingly, retaining 547,624,580 yen from application of “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 of the Special Taxation Measures Act) as reserve for reduction entry, the Investment Corporation decided to distribute the entire amount remaining after deducting provision of reserve for reduction entry from unappropriated retained earnings, and declared a distribution amount per unit of 13,700 yen.

1.1.2. Outlook for the Next Fiscal Period

A. Investment Environment

The Japanese economy going forward is expected to see a moderate recovery, supported by movements such as normalization of economic activities, improvement in employment and income conditions, as well as accommodative fiscal and monetary policies. However, as central banks continue monetary tightening, there is the need to continue monitoring the impact of a slowdown in the global economy centered on the US, rising prices, and fluctuation in the financial and capital markets.

In the central Tokyo office building leasing market, although a gradual recovery is expected with the normalization of economic activities on the back of the downgrading of COVID-19 to a Class 5 disease, the slowing pace of recovery in office demand due to the uptake of the hybrid work style of in-office and telecommuting, and the impact of a supply of multiple large-scale office buildings expected in 2023 and 2025 continue to warrant close monitoring. In addition, rising electricity charges associated with rising resource prices and the impact on borrowing rates associated with interest rate hike warrant caution.

In the office building transaction market, backed by the favorable financing environment, among other factors, the property acquisition appetite among overseas investors, real estate companies and funds (including J-REITs) is expected to remain strong. However, we will need to monitor how the market develops alongside changes in the socioeconomic situation.

B. Future Management Policy and Tasks

a. Strategy for Managing Existing Properties

As to macro trends for the office market, the vacancy rate in the overall market has still not made a turnaround, as many companies are adopting a hybrid work style of in-office and telecommuting, and it is expected that movement due to various needs such as downsizing, consolidation, expansion, and location improvement will continue. Although the Investment Corporation has been steadily acquiring solid new demand mainly from small and medium-sized companies, for the time being, it is striving to maintain occupancy rates by flexibly pursuing leasing within the current market scope, without adhering to the conventional strategy of targeting top rents. Therefore, the Investment Corporation considers that maintaining/improving competitiveness of buildings to qualify as prime offices that can increase the productivity of employees and accommodate needs of the times and environment will be the future issue, and is determined to continue carrying out operational management under the following policy.

(i) Maintain and raise occupancy rates

Concerning existing tenants, strive to reduce cancellation risks by improving the quality of buildings, equipment and management system. In addition, concerning new tenants, strive to maintain and raise occupancy rates through the provision of highly satisfactory services from gaining deeper understanding of tenant needs through proactive involvement in the market.

(ii) Maintain and raise profitability

Aim to secure stable revenue over the medium to long term through further strengthening good relationships with existing tenants, as well as proactively tapping the needs of new tenants by discerning the market environment.

(iii) Control operational management costs

Strive to control operational management costs based on maintaining office environments with high tenant satisfaction levels by implementing efficient operational management and reviewing systematic construction work through optimal leveraging of economies of scale achieved from proactively realizing external growth.

b. Strategy for New Property Investments

The Investment Corporation will invest in office buildings that have a total floor area of about 2,000 m² or more based on various external growth strategies, while maintaining a balance with the asset acquisition environment and financing situation. In principle, considerations will focus on Tokyo as the investment target area, but the Investment Corporation will also consider investing in competitive properties in cities other than Tokyo from a viewpoint of territorially-distributed investments.

As pipeline support, in addition to expanding the Asset Manager's own information-sourcing channels, the Investment Corporation will continue to search for properties that meet its investment criteria by proactively gathering real estate transaction market information through greater collaboration with the Sponsor Group and utilizing the Group's extensive network of clients, partners, etc.

During the 35th Fiscal Period, the Investment Corporation concluded a purchase agreement to acquire S-GATE FIT Nihonbashi Bakurocho. The agreement constitutes a forward commitment in which the scheduled property delivery date is to be March 29, 2024, or a date separately agreed upon by the Sellers and the Investment Corporation by the same date.

In addition, development work on the Kandasudacho 2-Chome Development Project, which was acquired as a development site in December 2021, is in progress, and the developed and completed building is scheduled to be delivered by June 2024. The Investment Corporation will strive to acquire properties in accordance with the investment strategy described above, while continuing to carefully assess such development projects.

c. Financial Strategy

The Investment Corporation will conduct disciplined financial management of the following basic content.

- (i) Control leverage by keeping the ratio of interest-bearing liabilities to total assets (LTV) within the range of 40% to 50% at maximum, taking into consideration also the LTV, etc. based on appraisal value, as a principle.
- (ii) Diversify repayment deadlines, targeting 30.0 billion yen as the maximum amount of interest-bearing liabilities that shall become due during any single fiscal period as a principle.
- (iii) Aim to have long-term loans account for at least 70% of balance of loans as a principle.
- (iv) Achieve diversification of lenders, which shall mainly be Japanese financial institutions.
- (v) Pursuant to its fund management rules, maintain stability in its financial standing by managing necessary funds, such as the amount equivalent to distributions paid, separately from working capital.

C. Significant Subsequent Events

Not applicable.

(Reference information)

Acquisition of Assets

The Investment Corporation decided on the following acquisition of trust beneficiary interest in real estate on March 22, 2023.

Overview of the Acquired Asset

Asset name	S-GATE FIT Nihonbashi Bakurocho
Type of asset	Trust beneficiary interest in domestic real estate (Note 1)
Location	1-11-10 Nihonbashi-bakurocho, Chuo-ku, Tokyo
Acquisition price	6,300 million yen (excluding acquisition costs and consumption tax, etc.)
Date of conclusion of purchase agreement	March 22, 2023
Scheduled delivery date	March 29, 2024, or a date agreed upon separately by the Sellers and the Investment Corporation by the same date
Sellers	THE SANKEI BUILDING CO., LTD. and Mitsubishi Corporation Urban Development, Inc. (Note 2)

(Note 1) Trust beneficiary interest with trust assets primarily of compartmentalized ownership for a portion of the first floor and all of the second through eleventh floors of the property.

(Note 2) The Investment Corporation will acquire quasi co-ownership interest (55/100 of holdings) in trust beneficiary interest from THE SANKEI BUILDING CO., LTD. and quasi co-ownership interest (45/100 of holdings) in trust beneficiary interest from Mitsubishi Corporation Urban Development, Inc.

D. Outlook for Management Status

The Investment Corporation forecasts the following management status for the 36th Fiscal Period (fiscal period ending November 2023 (from June 1, 2023 to November 30, 2023)). For the assumptions underlying the management status forecasts, please refer to the “Assumptions for the Management Status Forecasts for the 36th Fiscal Period and 37th Fiscal Period” on page 9.

36th Fiscal Period (fiscal period ending November 2023 (from June 1, 2023 to November 30, 2023))

Operating revenue	13,853 million yen
Operating income	6,720 million yen
Ordinary income	6,108 million yen
Net income	6,107 million yen
Distribution amount per unit	13,700 yen
Distribution amount in excess of earnings per unit	— yen

In addition, on the basis that the “Assumptions for the Management Status Forecasts for the 36th Fiscal Period and 37th Fiscal Period” will remain unchanged, the Investment Corporation forecasts the following management status for the 37th Fiscal Period (fiscal period ending May 2024 (from December 1, 2023 to May 31, 2024)).

37th Fiscal Period (fiscal period ending May 2024 (from December 1, 2023 to May 31, 2024))

Operating revenue	13,932 million yen
Operating income	6,818 million yen
Ordinary income	6,170 million yen
Net income	6,169 million yen
Distribution amount per unit	13,700 yen
Distribution amount in excess of earnings per unit	— yen

(Note) The forecast figures above are the current forecasts calculated based on certain assumptions. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution amount per unit and distribution amount in excess of earnings per unit may vary due to changes in the status. Moreover, the forecasts set forth herein should not be construed as a guarantee of distribution amounts.

Assumptions for the Management Status Forecasts for the 36th Fiscal Period and 37th Fiscal Period

Item	Assumptions
Assets under management	<ul style="list-style-type: none"> 36th Fiscal Period: Assets under management are assumed to be the 58 properties owned as May 31, 2023. 37th Fiscal Period: Assets under management are assumed to be the properties mentioned above, plus “S-GATE FIT Nihonbashi Bakurocho” planned to be acquired on or before March 29, 2024, to total 59 properties. <p>The actual number of properties may vary due to changes in the assets under management other than above.</p>
Operating revenue	<ul style="list-style-type: none"> Rent revenue from existing properties is calculated based on historical data and taking into account variable factors. It is assumed that there will be no gain or loss on sale of real estate properties.
Operating expenses	<ul style="list-style-type: none"> Expenses related to rent business, which constitute a major component of operating expenses, are calculated based on historical data and taking into account variable factors. Repair expenses for buildings are recorded as expenses in the amount expected to be necessary in the respective fiscal period based on the medium- to long-term repair plan established by the Asset Manager. Operating income from property leasing (excluding gain on sale from real estate properties) after deducting expenses related to rent business (including depreciation) is expected to be 8,077 million yen in the 36th Fiscal Period and 8,184 million yen in the 37th Fiscal Period. Consignment expenses are expected to be 1,060 million yen in the 36th Fiscal Period and 971 million yen in the 37th Fiscal Period. Taxes and dues (fixed property tax, city planning tax, etc.) are expected to be 1,204 million yen in the 36th Fiscal Period and 1,203 million yen in the 37th Fiscal Period. While, in general, fixed property tax, city planning tax, etc. in the transaction of real estate, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the current owner, but for the Investment Corporation, the amount equivalent to the reimbursement is included in the cost of acquisition and thus it is not recognized as expenses in the period of acquisition of properties. As such, fixed property tax, city planning tax, etc. for properties acquired will be recorded as expenses starting from the fiscal year following the acquisition year. Depreciation is expected to be 1,795 million yen in the 36th Fiscal Period and 1,828 million yen in the 37th Fiscal Period.
Non-operating expenses	<ul style="list-style-type: none"> Non-operating expenses in the 36th Fiscal Period are expected to be 612 million yen, of which the interest expenses, interest expenses on investment corporation bonds, and borrowing related expenses are expected to be 600 million yen. Non-operating expenses in the 37th Fiscal Period are expected to be 647 million yen, of which the interest expenses, interest expenses on investment corporation bonds, and borrowing related expenses are expected to be 635 million yen.
Interest-bearing liabilities	<ul style="list-style-type: none"> The total amount of interest-bearing liabilities is assumed to be 207,800 million yen at the end of the 36th Fiscal Period and 214,600 million yen at the end of the 37th Fiscal Period. In the 36th Fiscal Period, it is assumed that the entire amount of borrowings due for repayment on December 29, 2023 (2,000 million yen) is prepaid, and the entire amount of borrowings due for repayment on July 31, 2023 (1,000 million yen), August 31, 2023 (2,000 million yen) and November 30, 2023 (10,200 million yen) is refinanced. In the 37th Fiscal Period, it is assumed that new borrowings of 6,800 million yen is to be allocated mainly to funds used for the acquisition of S-GATE FIT Nihonbashi Bakurocho announced on March 22, 2023, and it is assumed that the entire amount of borrowings due for repayment on February 29, 2024 (4,000 million yen), March 29, 2024 (1,900 million yen) and May 31, 2024 (6,500 million yen) is refinanced.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> The total number of investment units issued and outstanding is assumed to be the 478,258 units as of May 31, 2023. It is assumed that there are no changes to the number of investment units other than stated above until the end of the 37th Fiscal Period through the issuance of new investment units, etc.

Item	Assumptions
Distribution amount per unit	<ul style="list-style-type: none"> The distribution amount per unit is calculated based on the cash distribution policy as set out in the articles of incorporation of the Investment Corporation. The distribution amount per unit for the 36th Fiscal Period is based on the assumption that part (444 million yen) of the reserve for reduction entry retained as internal reserves will be reversed and distributed. Reversal of reserve for reduction entry may change depending on the management status. The distribution amount per unit for the 37th Fiscal Period is based on the assumption that part (382 million yen) of the reserve for reduction entry retained as internal reserves will be reversed and distributed. Reversal of reserve for reduction entry may change depending on the management status. The distribution amount per unit may vary depending on a variety of factors, such as changes in the assets under management, changes in the rent revenue due to tenant changes and other causes, and incurrence of unforeseen repairs.
Distribution amount in excess of earnings per unit	<ul style="list-style-type: none"> At present, there is no plan to make any distribution in excess of earnings (distribution amount in excess of earnings per unit).
Other	<ul style="list-style-type: none"> It is assumed that there are no changes to laws and ordinances, the tax system, accounting standards, listing regulations, the rules of Tokyo Stock Exchange, Inc. and The Investment Trusts Association, Japan, etc. that will affect the abovementioned forecast figures. It is assumed that there will be no major unforeseen changes in general economic trends, real estate market conditions, etc.

1.2 Investment Risks

The following description will be added to “Part I: Fund Information; Section 1: Fund Status; 3. Investment Risks; 3.1 Risk Factors; ⑥ Other” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on February 17, 2023) as “iii. Risk of Non-Inclusion of Assets Scheduled to be Acquired.”

(iii) Risk of Non-Inclusion of Assets Scheduled to be Acquired

The Investment Corporation concluded a purchase agreement for trust beneficiary interest in S-GATE FIT Nihonbashi Bakurocho, and is scheduled to conduct the acquisition.

However, during the period from the date of this document until asset acquisition, there is a possibility that the agreement is cancelled and the Investment Corporation is unable to acquire the above asset as scheduled due to the preconditions set forth in said agreement being unfulfilled or individual circumstances at the Seller or the Investment Corporation where there are significant fluctuations in such environments as the market environment and the fund raising environment. In such case, the Investment Corporation will be unable to record the forecasted operating revenue, and as a result, there is the possibility that the distribution amount per unit will fall short of the forecast.

In addition, “Part I: Fund Information; Section 1: Fund Status; 3. Investment Risks; 3.1 Risk Factors; ④ Risks concerning Real Estate and Trust Beneficiary Interests; (xxii) Risk regarding Forward Commitments” set out in the above periodic securities report (*yuka shoken hokokusho*) will be changed as follows (underlines indicate amended portions).

(xxii) Risk regarding Forward Commitments

The Investment Corporation may conduct acquisition of real estate or trust beneficiary interest in real estate in an agreement that constitutes a forward commitment. When the purchase agreement is cancelled due to the buyer’s circumstances, the buyer will be liable for damages due to default in obligation. Moreover, regardless of proof of the amount of damages, etc., there may be an agreement made to the effect that a penalty that is a certain percentage of the purchasing price of the real estate or trust beneficiary interest in real estate shall apply. In a forward commitment, there is a period after the conclusion of the agreement until the payment of the purchase price or delivery of the property. In the case where the Investment Corporation has no choice but to cancel the purchase agreement during this period due to such reasons as being unable to procure the funds for purchasing the property as a result of changes in the market environment, etc. the financial status of the Investment Corporation may deteriorate due to the payment of such penalty and damages.

The Investment Corporation concluded a purchase agreement for trust beneficiary interest in S-GATE FIT Nihonbashi Bakurocho, and is scheduled to conduct the acquisition. Said purchase agreement constitutes a forward commitment mentioned above. In the purchase agreement with the sellers, if there is a breach by the Investment Corporation or the sellers of any provision of said agreement, the other party may cancel the purchase agreement and demand an amount equivalent to 20% of the purchase price as penalty.

2. Financial Statements

2.1. Balance Sheets

(Unit: Thousands of yen)

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
Assets		
Current assets		
Cash and deposits	19,084,282	27,028,187
Cash and deposits in trust	3,724,400	3,770,101
Operating accounts receivable	100,636	94,142
Consumption taxes receivable	82,420	–
Prepaid expenses	371,486	376,529
Other	43,891	34,818
Total current assets	23,407,118	31,303,779
Noncurrent assets		
Property, plant and equipment		
Buildings	3,601,054	3,643,891
Accumulated depreciation	(2,827,955)	(2,880,162)
Buildings, net	773,098	763,729
Structures	14,344	14,344
Accumulated depreciation	(9,672)	(10,095)
Structures, net	4,671	4,248
Tools, furniture and fixtures	21,875	21,875
Accumulated depreciation	(18,040)	(19,030)
Tools, furniture and fixtures, net	3,834	2,845
Land	12,302,226	12,302,226
Construction in progress	3,491	–
Buildings in trust	110,553,987	110,662,774
Accumulated depreciation	(32,895,437)	(34,106,637)
Buildings in trust, net	*1, *2 77,658,549	*1, *2 76,556,136
Structures in trust	782,699	779,771
Accumulated depreciation	(250,100)	(257,729)
Structures in trust, net	*2 532,598	*2 522,041
Machinery and equipment in trust	950,322	965,276
Accumulated depreciation	(554,056)	(574,656)
Machinery and equipment in trust, net	396,265	390,620
Tools, furniture and fixtures in trust	420,289	432,907
Accumulated depreciation	(246,104)	(261,146)
Tools, furniture and fixtures in trust, net	174,184	171,761
Land in trust	*2 360,010,799	*2 354,910,042
Construction in progress in trust	903,381	912,793
Total property, plant and equipment	452,763,103	446,536,446
Intangible assets		
Leasehold rights	2,398,275	2,398,275
Leasehold rights in trust	306,884	306,884
Other	9,891	8,441
Total intangible assets	2,715,051	2,713,601

(Unit: Thousands of yen)

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
Investments and other assets		
Leasehold and guarantee deposits in trust	113,684	113,684
Long-term prepaid expenses	1,293,339	1,308,489
Derivatives	614,733	353,911
Other	102,821	106,846
Total investments and other assets	2,124,579	1,882,931
Total noncurrent assets	457,602,734	451,132,980
Deferred assets		
Investment corporation bonds issuance costs	39,326	34,322
Total deferred assets	39,326	34,322
Total assets	481,049,178	482,471,082
Liabilities		
Current liabilities		
Operating accounts payable	1,514,187	1,261,162
Short-term loans payable	–	2,000,000
Current portion of long-term loans payable	26,200,000	25,600,000
Accounts payable – other	607,519	584,998
Income taxes payable	880	880
Accrued consumption taxes	149,957	395,300
Advances received	2,660,384	2,273,087
Other	513,476	502,682
Total current liabilities	31,646,405	32,618,110
Noncurrent liabilities		
Investment corporation bonds	9,000,000	9,000,000
Long-term loans payable	170,600,000	171,200,000
Tenant leasehold and security deposits	20,090,144	19,658,273
Tenant leasehold and security deposits in trust	1,984,197	1,987,928
Deferred tax liabilities	237,123	149,977
Derivatives liabilities	–	7,722
Total noncurrent liabilities	201,911,465	202,003,901
Total liabilities	233,557,871	234,622,012
Net Assets		
Unitholders' equity		
Unitholders' capital	251,551,759	251,551,759
Deduction from unitholders' capital	*4 (13,457,770)	*4 (13,457,770)
Unitholders' capital, net	238,093,989	238,093,989
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	2,459,048	2,419,008
Total voluntary retained earnings	2,459,048	2,419,008
Unappropriated retained earnings (undisposed loss)	6,512,095	7,099,759
Total surplus	8,971,143	9,518,767
Total unitholders' equity	247,065,132	247,612,756
Valuation and translation adjustments		
Deferred gains or losses on hedges	426,174	236,313
Total valuation and translation adjustments	426,174	236,313
Total net assets	*5 247,491,307	*5 247,849,070
Total liabilities and net assets	481,049,178	482,471,082

2.2. Statements of Income

(Unit: Thousands of yen)

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]		35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]	
Operating revenue				
Rent revenue – real estate	*1	13,836,714	*1	13,503,773
Other lease business revenue	*1	54,553	*1	27,545
Gain on sales of real estate properties		–	*2	1,519,036
Total operating revenue		13,891,267		15,050,355
Operating expenses				
Expenses related to rent business	*1	5,453,596	*1	5,987,987
Asset management fees		1,147,433		1,148,882
Asset custody fees		24,064		24,084
Administrative service fees		78,232		72,437
Trust fees		18,036		18,577
Directors' compensation		7,200		7,200
Other operating expenses		99,757		125,604
Total operating expenses		6,828,320		7,384,774
Operating income		7,062,947		7,665,581
Non-operating income				
Interest income		15		14
Reversal of distribution payable		705		1,072
Insurance income		7,290		13,800
Miscellaneous income		33		318
Total non-operating income		8,044		15,207
Non-operating expenses				
Interest expenses		395,458		401,671
Interest expenses on investment corporation bonds		26,041		26,328
Borrowing expenses		137,796		140,634
Other		17,096		11,513
Total non-operating expenses		576,393		580,147
Ordinary income		6,494,598		7,100,640
Income before income taxes		6,494,598		7,100,640
Income taxes – current		881		881
Income taxes – deferred		(18,378)		–
Total income taxes		(17,496)		881
Net income		6,512,095		7,099,759
Retained earnings brought forward		–		–
Unappropriated retained earnings (undisposed loss)		6,512,095		7,099,759

2.3. Statements of Unitholders' Equity

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

(Unit: Thousands of yen)

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus
				Reserve for reduction entry	Total voluntary retained earnings		
Balance at beginning of current fiscal period	251,551,759	(10,458,319)	241,093,440	1,721,383	1,721,383	7,493,070	9,214,454
Changes of items during the period							
Provision of reserve for reduction entry				737,664	737,664	(737,664)	-
Dividends from surplus						(6,755,406)	(6,755,406)
Net income						6,512,095	6,512,095
Acquisition of own investment units							
Cancellation of own investment units		(2,999,451)	(2,999,451)				
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	(2,999,451)	(2,999,451)	737,664	737,664	(980,975)	(243,310)
Balance at end of current fiscal period	251,551,759	(13,457,770)	238,093,989	2,459,048	2,459,048	6,512,095	8,971,143

	Unitholders' equity		Valuation and translation adjustments		Total net assets
	Own investment units	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current fiscal period	-	250,307,894	231,001	231,001	250,538,895
Changes of items during the period					
Provision of reserve for reduction entry		-			-
Dividends from surplus		(6,755,406)			(6,755,406)
Net income		6,512,095			6,512,095
Acquisition of own investment units	(2,999,451)	(2,999,451)			(2,999,451)
Cancellation of own investment units	2,999,451	-			-
Net changes of items other than shareholders' equity			195,173	195,173	195,173
Total changes of items during the period	-	(3,242,761)	195,173	195,173	(3,047,588)
Balance at end of current fiscal period	-	247,065,132	426,174	426,174	247,491,307

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

(Unit: Thousands of yen)

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus
				Reserve for reduction entry	Total voluntary retained earnings		
Balance at beginning of current fiscal period	251,551,759	(13,457,770)	238,093,989	2,459,048	2,459,048	6,512,095	8,971,143
Changes of items during the period							
Reversal of reserve for reduction entry				(40,039)	(40,039)	40,039	–
Dividends from surplus						(6,552,134)	(6,552,134)
Net income						7,099,759	7,099,759
Net changes of items other than shareholders' equity							
Total changes of items during the period	–	–	–	(40,039)	(40,039)	587,663	547,624
Balance at end of current fiscal period	251,551,759	(13,457,770)	238,093,989	2,419,008	2,419,008	7,099,759	9,518,767

	Unitholders' equity	Valuation and translation adjustments		Total net assets
	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current fiscal period	247,065,132	426,174	426,174	247,491,307
Changes of items during the period				
Reversal of reserve for reduction entry	–			–
Dividends from surplus	(6,552,134)			(6,552,134)
Net income	7,099,759			7,099,759
Net changes of items other than shareholders' equity		(189,861)	(189,861)	(189,861)
Total changes of items during the period	547,624	(189,861)	(189,861)	357,763
Balance at end of current fiscal period	247,612,756	236,313	236,313	247,849,070

2.4. Statements of Cash Distributions

Item	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
	Amount (Yen)	Amount (Yen)
I. Unappropriated retained earnings	6,512,095,249	7,099,759,180
II. Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	40,039,351	–
III. Distribution amount	6,552,134,600	6,552,134,600
[Distribution amount per unit]	(13,700)	(13,700)
IV. Voluntary retained earnings		
Provision of reserve for reduction entry	–	547,624,580
V. Retained earnings carried forward	–	–
Method for calculating distribution amount	Pursuant to the policy that “the Investment Corporation shall distribute an amount in excess of the amount equivalent to 90% of its distributable earnings as defined in Article 67-15 of the Act on Special Measures Concerning Taxation” but no more than the amount of earnings as specified in Article 32, Item 1 of the Investment Corporation’s articles of incorporation, the Investment Corporation decided the distributions from earnings that it shall pay out shall be the amount that is the sum of the reversal of reserve for reduction entry and unappropriated retained earnings. Accordingly, the Investment Corporation declared a distribution amount of 6,552,134,600 yen. Furthermore, the Investment Corporation shall not distribute cash in excess of earnings as stipulated in Article 32, Item 2 of its articles of incorporation.	Pursuant to the policy that “the Investment Corporation shall distribute an amount in excess of the amount equivalent to 90% of its distributable earnings as defined in Article 67-15 of the Act on Special Measures Concerning Taxation” but no more than the amount of earnings as specified in Article 32, Item 1 of the Investment Corporation’s articles of incorporation, the Investment Corporation decided the distributions from earnings that it shall pay out shall be the amount remaining after deducting provision of reserve for reduction entry defined in Article 65-7 of the Act on Special Measures Concerning Taxation from unappropriated retained earnings. Accordingly, the Investment Corporation declared a distribution amount of 6,552,134,600 yen. Furthermore, the Investment Corporation shall not distribute cash in excess of earnings as stipulated in Article 32, Item 2 of its articles of incorporation.

2.5. Statements of Cash Flows

(Unit: Thousands of yen)

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Cash flows from operating activities		
Income before income taxes	6,494,598	7,100,640
Depreciation	1,790,107	1,798,721
Amortization of investment corporation bonds issuance costs	5,030	5,003
Interest income	(15)	(14)
Interest expenses	421,500	427,999
(Increase) Decrease in operating accounts receivable	(14,564)	6,493
(Increase) Decrease in consumption taxes receivable	(82,420)	82,420
(Increase) Decrease in prepaid expenses	(15,668)	(5,042)
Increase (decrease) in operating accounts payable	56,765	505,550
Increase (decrease) in accounts payable – other	7,286	(22,521)
Increase (decrease) in accrued consumption taxes	(144,311)	245,342
Increase (decrease) in advances received	333,668	(387,297)
(Increase) Decrease in long-term prepaid expenses	(89,608)	(15,150)
Decrease from sales of property, plant and equipment in trust	–	5,536,413
Other	3,516	38,518
Subtotal	8,765,885	15,317,079
Interest income received	15	14
Interest expenses paid	(421,759)	(427,882)
Income taxes paid	(881)	(881)
Net cash provided by (used in) operating activities	8,343,259	14,888,329
Cash flows from investing activities		
Purchase of property, plant and equipment	(290,181)	(41,817)
Purchase of property, plant and equipment in trust	(2,170,963)	(1,876,773)
Proceeds from tenant security deposits	858,019	552,720
Proceeds from tenant security deposits in trust	12,238	42,992
Repayments of tenant security deposits	(960,797)	(984,591)
Repayments of tenant security deposits in trust	(180)	(39,261)
Net cash provided by (used in) investing activities	(2,551,864)	(2,346,730)
Cash flows from financing activities		
Proceeds from short-term loans payable	–	2,000,000
Proceeds from long-term loans payable	17,600,000	13,000,000
Repayment of long-term loans payable	(17,600,000)	(13,000,000)
Purchase of own investment units	(2,999,451)	–
Dividends paid	(6,756,268)	(6,551,992)
Net cash provided by (used in) financing activities	(9,755,719)	(4,551,992)
Net increase (decrease) in cash and cash equivalents	(3,964,325)	7,989,606
Cash and cash equivalents at beginning of period	26,773,007	22,808,682
Cash and cash equivalents at end of period	*1 22,808,682	*1 30,798,288

2.6. Notes to the Going Concern
Not applicable.

2.7. Notes to Significant Accounting Policies

<p>1. Accumulated depreciation method for noncurrent assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. The useful life of primary property, plant and equipment is as follows:</p> <table data-bbox="662 369 1125 515"> <tr> <td>Buildings</td> <td>2~64 years</td> </tr> <tr> <td>Structures</td> <td>10~56 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>10~23 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>4~15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	2~64 years	Structures	10~56 years	Machinery and equipment	10~23 years	Tools, furniture and fixtures	4~15 years
Buildings	2~64 years								
Structures	10~56 years								
Machinery and equipment	10~23 years								
Tools, furniture and fixtures	4~15 years								
<p>2. Accounting policies for deferred assets</p>	<p>Investment corporation bonds issuance costs Amortized using the straight-line method over the period up to redemption.</p>								
<p>3. Accounting standards for recording revenues and expenses</p>	<p>(1) Accounting for fixed property tax, etc. Concerning fixed property tax, city planning tax, depreciated asset tax, etc. for owned real estate or trust beneficiary interest in real estate, of the tax amount that has been broken down into installments, the method of accounting for the amount corresponding to the concerned fiscal period as expenses related to rent business is adopted. Concerning the amount equivalent to fixed property tax, etc. for the initial fiscal year that shall be borne by the Investment Corporation in correlation with acquisitions of real estate or trust beneficiary interest that have real estate as assets in trust, the amount is not expensed but is rather included in the cost of acquisition of the concerned real estate property. The amount equivalent to fixed property tax, etc. that was included in the cost of acquisition of real estate properties is zero.</p> <p>(2) Accounting Standard for Revenue The content of main performance obligations related to revenue arising from contracts with customers of the Investment Corporation and the normal timing for satisfying such performance obligations (the normal timing for recognizing revenue) are as follows:</p> <p>(i) Sale of real estate properties The Investment Corporation recognizes revenue from the sale of real estate properties when the purchaser, as the customer, obtains control of the real estate property by fulfilling the delivery obligations stipulated in the contract for the sale of real estate property.</p> <p>(ii) Utilities income The Investment Corporation recognizes utilities income based on the supply of electricity, water, etc. to the lessee as the customer, in accordance with the terms of the real estate lease contract and related agreements. Of utilities income, in the case that the Investment Corporation determines it is an agent for utilities income, the utilities income is recognized as income at the net amount received as charges for electricity, gas, etc. supplied by other parties less the amount paid to such other parties.</p>								

<p>4. Hedge accounting approach</p>	<p>(1) Hedge accounting approach Deferral hedge accounting is adopted. Special accounting is adopted for interest rate swaps that meet the requirements for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transaction Hedged items: Interest on loans</p> <p>(3) Hedging policy The Investment Corporation conducts derivative transactions to hedge risks stipulated in the Investment Corporation's articles of incorporation in accordance with the Investment Corporation's risk management policy.</p> <p>(4) Method for assessing the effectiveness of hedging The effectiveness of hedging is assessed by the correlation between the change in aggregated amount of cash flow of the hedging instruments and the change in aggregated amount of cash flow of the hedged items. Interest rate swaps that meet the requirements for special accounting are omitted from assessment of the effectiveness.</p>
<p>5. Scope of funds in the statements of cash flows</p>	<p>The funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.</p>
<p>6. Other significant matters forming basis for preparation of financial statements</p>	<p>(1) Accounting method for trust beneficiary interest in real estate, etc. Concerning owned trust beneficiary interest that have real estate properties as assets in trust, all accounts of assets and liabilities within assets in trust as well as all accounts of revenues and expenses incurred from the assets in trust are recorded in the relevant account item of the balance sheets and statements of income. The following material items of the assets in trust recorded in the relevant account item are separately listed on the balance sheets.</p> <ul style="list-style-type: none"> (i) Cash and deposits in trust (ii) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust and construction in progress in trust (iii) Leasehold rights in trust (iv) Leasehold and guarantee deposits in trust (v) Tenant leasehold and security deposits in trust <p>(2) Accounting method for consumption taxes The consumption taxes relating to noncurrent assets, etc. that are not tax-deductible are amortized in equal installments over 5 years.</p>

2.8. Notes to Financial Statements
(Omission of Disclosure)

Concerning notes to lease transactions, securities, retirement benefits, tax-effect accounting and asset retirement obligations, disclosure is omitted because there is no substantial need for such disclosure in the financial report (*kessan tanshin*).

[Notes to Balance Sheets]

*1. Advanced depreciation amount for property, plant and equipment acquired by government subsidies, etc.

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
Buildings in trust	32,898 thousand yen	77,363 thousand yen

*2. Advanced depreciation amount for property, plant and equipment acquired through exchange

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
Buildings in trust	182,563 thousand yen	182,563 thousand yen
Structures in trust	283 thousand yen	283 thousand yen
Land in trust	887,074 thousand yen	887,074 thousand yen
Total	1,069,921 thousand yen	1,069,921 thousand yen

*3. Agreement on the Establishment of Commitment Line

The Investment Corporation has concluded an agreement with a correspondent bank concerning the establishment of commitment line.

There was no balance of borrowings based on the agreement as of the end of the current period.

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
Total amount of commitment line	5,500,000 thousand yen	5,500,000 thousand yen
Balance of borrowings	— thousand yen	— thousand yen
Difference	5,500,000 thousand yen	5,500,000 thousand yen

*4. Status of cancellation of own investment units

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
Total number of units cancelled	19,611 units	19,611 units
Total amount cancelled	13,457,770 thousand yen	13,457,770 thousand yen

*5. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

	34th Fiscal Period [As of November 30, 2022]	35th Fiscal Period [As of May 31, 2023]
	50,000 thousand yen	50,000 thousand yen

[Notes to Statements of Income]

*1. Breakdown of operating income (loss) from property leasing

(Unit: Thousands of yen)

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
A. Property leasing revenue		
Rent revenue – real estate	13,836,714	13,503,773
Other lease business revenue	54,553	27,545
Total property leasing revenue	13,891,267	13,531,319
B. Property leasing expenses		
Consignment expenses	1,024,032	1,076,880
Utilities expenses	1,263,217	1,288,850
Taxes and dues	1,149,657	1,150,420
Non-life insurance expenses	22,425	24,719
Repair expenses	130,738	575,184
Depreciation	1,788,657	1,797,518
Other lease business expenses	74,866	74,413
Total property leasing expenses	5,453,596	5,987,987
C. Operating income (loss) from property leasing [A – B]	8,437,671	7,543,331

*2. Breakdown of gain on sales of real estate properties

(Unit: Thousands of yen)

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

Not applicable.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

Daiwa SHIBUYA EDGE		
Proceeds from sales of real estate properties		7,313,000
Cost of sales of real estate properties		5,536,413
Other expenses on sales		257,549
Gain on sales of real estate properties		1,519,036

[Notes to Statements of Unitholders' Equity]

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	478,258 units	478,258 units

[Notes to Statements of Cash Flows]

*1. Reconciliation of balance sheet items to cash and cash equivalents at end of period in the statements of cash flows

(Unit: Thousands of yen)

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Cash and deposits	19,084,282	27,028,187
Cash and deposits in trust	3,724,400	3,770,101
Cash and cash equivalents	22,808,682	30,798,288

[Notes to Financial Instruments]

(1) Matters Concerning Status of Financial Instruments

① Policy for financial instruments

The Investment Corporation raises funds through bank borrowings, issuance of investment corporation bonds and issuance of new investment units, etc. for the acquisition and repair of investment properties, the payments of dividends and the reimbursement of bank borrowings. As for debt finance, the Investment Corporation focuses on lengthening maturities, fixing interest rates, dispersing maturity dates and utilizing commitment line in order to secure financial stability and avoid future fluctuation risk of interest rates.

The Investment Corporation manages surplus funds through deposits and safe and highly liquid money claims and securities (in principle, deposits).

Derivative transactions are limited to hedge operations which hedge against interest rate fluctuation risks attributable to liabilities of the Investment Corporation.

② Contents and risk of financial instruments and related risk management

The Investment Corporation uses the proceeds from the financing of debts and investment corporation bonds for the acquisition of investment properties (such as trust beneficiary interest in real estate) and the reimbursement of current debts and bonds. While these debts and bonds are exposed to liquidity risk, the Investment Corporation manages the risk by maintaining the LTV ratio at low levels, dispersing maturity dates, maintaining the ratio of long-term debt to total debt at high levels, and diversifying lenders with particular focus on domestic financial institutions. Bank borrowings, etc. with floating interest rates are exposed to interest rate fluctuation risk and the risk is controlled by using derivative instruments (interest rate swap transaction) for some long-term borrowings to avoid interest rate fluctuation risk and to fix interest expense.

The effectiveness of hedging is assessed by the correlation between the change in aggregated amount of cash flow of the hedging instruments and the change in aggregated amount of cash flow of the hedged items. Interest rate swaps that meet the requirements for special accounting are omitted from assessment of the effectiveness.

Enforcement and management of derivative transactions are carried out in accordance with the provisions established by the basic policy of risk management.

Tenant leasehold and security deposits and tenant leasehold and security deposits in trust are exposed to liquidity risk upon tenants moving out and the Investment Corporation reduces the risk by pooling funds to a certain degree.

Surplus funds by deposits are exposed to credit risk of counterparties (financial institutions and so on) and are managed by limiting the terms to short durations and establishing credit rating level of counterparties (except for checkable deposit), etc.

③ Supplementary explanation for fair value of financial instruments

As various factors are incorporated into the calculation of fair value of financial instruments, the resulting value may differ if different assumptions are provided. Furthermore, the contractual amounts of derivative transactions do not represent the market risk involved in these derivative transactions.

(2) Matters Concerning Fair Value, etc. of Financial Instruments

The carrying amounts and fair values and their differences are as follows. As “Cash and deposits,” “Cash and deposits in trust” and “Short-term loans payable” are settled within a short period of time, the fair value is approximately the same as the book value, and thus such notes have been omitted.

34th Fiscal Period [As of November 30, 2022]

(Unit: Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	26,200,000	26,194,431	(5,568)
(2) Investment corporation bonds	9,000,000	8,915,880	(84,120)
(3) Long-term loans payable	170,600,000	169,587,590	(1,012,409)
Total liabilities	205,800,000	204,697,901	(1,102,098)
Derivative transactions (*)	621,789	621,789	–

35th Fiscal Period [As of May 31, 2023]

(Unit: Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	25,600,000	25,588,019	(11,980)
(2) Investment corporation bonds	9,000,000	8,915,280	(84,720)
(3) Long-term loans payable	171,200,000	170,430,316	(769,683)
Total liabilities	205,800,000	204,933,615	(866,384)
Derivative transactions (*)	344,781	344,781	–

(*) The value of receivables and payables arising from derivatives are indicated at net basis. The amount in parentheses represents the net liability position.

(Note 1) Methods to estimate fair value of financial instruments and matters concerning derivative transactions

Liabilities

(1) Current portion of long-term loans payable; (3) Long-term loans payable

As those with floating interest rates reflect market interest rates within a short period of time and the Investment Corporation's credit capability does not differ markedly from the execution, the fair value is approximately the same as the book value and thus is stated at that book value. Those with fixed interest rates, on the other hand, are based on the method of calculating by discounting the sum total amount of principal and interest (*) by the reasonably estimated interest rate in the case that the same type of borrowings is undertaken.

(*) For long-term loans payable that are subject to special accounting for interest rate swaps, the interest is handled together with applicable interest rate swaps. (Please refer to [Notes to Derivative Transactions] below.)

(2) Investment corporation bonds

The fair value of the investment corporation bonds issued by the Investment Corporation is based on the market price.

Derivative transactions

Please refer to [Notes to Derivative Transactions] below.

(Note 2) Tenant leasehold and security deposits (20,090,144 thousand yen in the balance sheet for November 30, 2022, and 19,658,273 thousand yen in the balance sheet for May 31, 2023) and tenant leasehold and security deposits in trust (1,984,197 thousand yen in the balance sheet for November 30, 2022, and 1,987,928 thousand yen in the balance sheet for May 31, 2023) are omitted as they lack materiality.

(Note 3) Amount of repayment of current portion of long-term loans payable, investment corporation bonds, and long-term loans payable scheduled to be due after the settlement of accounts

34th Fiscal Period [As of November 30, 2022]

(Unit: Thousands of yen)

	Within 1 year	Within 2 years, but over 1 year	Within 3 years, but over 2 years	Within 4 years, but over 3 years	Within 5 years, but over 4 years	Over 5 years
Current portion of long-term loans payable	26,200,000	–	–	–	–	–
Investment corporation bonds	–	3,800,000	1,500,000	–	–	3,700,000
Long-term loans payable	–	27,200,000	23,000,000	22,400,000	27,600,000	70,400,000
Total	26,200,000	31,000,000	24,500,000	22,400,000	27,600,000	74,100,000

35th Fiscal Period [As of May 31, 2023]

(Unit: Thousands of yen)

	Within 1 year	Within 2 years, but over 1 year	Within 3 years, but over 2 years	Within 4 years, but over 3 years	Within 5 years, but over 4 years	Over 5 years
Current portion of long-term loans payable	25,600,000	–	–	–	–	–
Investment corporation bonds	–	3,800,000	1,500,000	–	–	3,700,000
Long-term loans payable	–	30,800,000	20,700,000	20,200,000	29,100,000	70,400,000
Total	25,600,000	34,600,000	22,200,000	20,200,000	29,100,000	74,100,000

[Notes to Derivative Transactions]

(1) Transactions for which hedge accounting is not applied

34th Fiscal Period [As of November 30, 2022]

Not applicable.

35th Fiscal Period [As of May 31, 2023]

Not applicable.

(2) Transactions for which hedge accounting is applied

34th Fiscal Period [As of November 30, 2022]

About derivative transactions for which hedge accounting is applied, the contract amount, amount equivalent to the principal provided in the contract, etc. as of the settlement of accounts for each hedge accounting approach are as follows.

(Unit: Thousands of yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of that fair value
				Of which, over 1 year		
Principle accounting method	Interest rate swap transaction Fixed payable Floating receivable	Long-term loans payable	76,500,000	58,500,000	621,789	Based on price quoted by partner financial institution
Special accounting for interest rate swaps	Interest rate swap transaction Fixed payable Floating receivable	Long-term loans payable	28,900,000	28,900,000	(*)	–
Total			105,400,000	87,400,000	621,789	–

35th Fiscal Period [As of May 31, 2023]

About derivative transactions for which hedge accounting is applied, the contract amount, amount equivalent to the principal provided in the contract, etc. as of the settlement of accounts for each hedge accounting approach are as follows.

(Unit: Thousands of yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of that fair value
				Of which, over 1 year		
Principle accounting method	Interest rate swap transaction Fixed payable Floating receivable	Long-term loans payable	68,500,000	52,500,000	344,781	Based on price quoted by partner financial institution
Special accounting for interest rate swaps	Interest rate swap transaction Fixed payable Floating receivable	Long-term loans payable	28,900,000	27,000,000	(*)	–
Total			97,400,000	79,500,000	344,781	–

(*) Since the derivative financial instruments qualifying for the special accounting for interest rate swaps are accounted for as one transaction together with their hedged item, long-term loans payable, the fair value of these derivatives is included in that of related long-term loans payable. (Please refer to “Notes to Financial Instruments (2) Matters Concerning Fair Value, etc. of Financial Instruments (Note 1) Liabilities (1) (3).”)

[Notes to Transactions with Related Parties]

(1) Transactions with related parties

① Parent company and major corporate unitholders, etc.

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

Not applicable.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

Not applicable.

② Affiliated companies, etc.

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

Not applicable.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

Not applicable.

③ Sister companies, etc.

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

Not applicable.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

Not applicable.

④ Officers and major individual unitholders, etc.

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

Not applicable.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

Not applicable.

(2) Information about parent company or any material affiliated company

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

Parent company's information

Daiwa Securities Group Inc. (listed on Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.)

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

Parent company's information

Daiwa Securities Group Inc. (listed on Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.)

[Notes to Revenue Recognition]

Breakdown information on revenue from contracts with customers

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

(Unit: Thousands of yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Sale of real estate properties	–	–
Utilities income	1,028,764	1,028,764
Other	–	12,862,502
Total	1,028,764	13,891,267

(Note) Rent revenue, etc. covered by the Accounting Standard for Lease Transactions (ASBJ Statement No.13) is not subject to the Accounting Standard for Revenue Recognition and is thus excluded from revenue from contracts with customers. Furthermore, revenue generated from contracts with major customers are sales of real estate properties and utility charge revenues.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

(Unit: Thousands of yen)

	Revenues arising from contracts with customers (Note 1)	Sales to external customers
Sale of real estate properties (Note 2)	7,313,000	1,519,036
Utility charge revenues	967,320	967,320
Other	–	12,563,998
Total	8,280,320	15,050,355

(Note 1) Rent revenue, etc. covered by the Accounting Standard for Lease Transactions (ASBJ Statement No.13) is not subject to the Accounting Standard for Revenue Recognition and is thus excluded from revenue from contracts with customers. Furthermore, revenue generated from contracts with major customers are sales of real estate properties and utility charge revenues.

(Note 2) As sale of real estate properties is recorded as gain or loss on sale of real estate properties in the statements of income in accordance with Article 48, Paragraph 2 of the Ordinance on Accounting of Investment Corporation (Cabinet Office Ordinance No. 47 of 2006), the amount after deducting the cost of sales of real estate properties and other expenses on sales from the proceeds from sales of real estate properties is stated.

[Notes to Investment and Rental Properties]

The Investment Corporation has rental office buildings, etc. (including land) in Tokyo and other regions. The carrying amount, amount of increase (decrease) during period and fair value for these rental properties are as follows.

(Unit: Thousands of yen)

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Carrying amount		
Balance at beginning of period	453,560,151	454,561,390
Amount of increase (decrease) during period	1,001,239	(6,232,577)
Balance at end of period	454,561,390	448,328,813
Fair value at end of period	593,390,000	587,160,000

(Note 1) The carrying amount is the amount after accumulated depreciation is deducted from the cost of acquisition.

(Note 2) Of the amount of increase (decrease) for rental properties during the 34th Fiscal Period, the amount of increase is mainly attributable to the acquisition of Daiwa Nihonbashi Bakurocho (1,958 million yen) and the amount of decrease is mainly attributable to depreciation (1,788 million yen). During the 35th Fiscal Period, the amount of decrease is mainly attributable to the sale of Daiwa SHIBUYA EDGE (5,536 million yen) and depreciation (1,797 million yen).

(Note 3) The fair value at end of period presents the appraisal value estimated by external real estate appraisers.

The income (loss) for investment and rental properties are as presented in the aforementioned “Notes to Statements of Income.”

[Notes to Segment Information, Etc.]

(1) Segment Information

Segment information has been omitted because the Investment Corporation has no segment except the property leasing business.

(2) Related Information

34th Fiscal Period [From: June 1, 2022 To: November 30, 2022]

① Information about products and services

Information about products and services has been omitted because net sales to external customers for one segment are in excess of 90% of the operating revenue on statements of income.

② Information about geographical areas

A. Net sales

Information about net sales has been omitted because net sales to external customers in Japan are in excess of 90% of the operating revenue on statements of income.

B. Property, plant and equipment

Information about property, plant and equipment has been omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on balance sheets.

③ Information about major customers

Information about major customers has been omitted because each net sales figure to a single external customer accounts for less than 10% of the operating revenue on statements of income.

35th Fiscal Period [From: December 1, 2022 To: May 31, 2023]

① Information about products and services

Information about products and services has been omitted because net sales to external customers for one segment are in excess of 90% of the operating revenue on statements of income.

② Information about geographical areas

A. Net sales

Information about net sales has been omitted because net sales to external customers in Japan are in excess of 90% of the operating revenue on statements of income.

B. Property, plant and equipment

Information about property, plant and equipment has been omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on balance sheets.

③ Information about major customers

Information about major customers has been omitted because each net sales figure to a single external customer accounts for less than 10% of the operating revenue on statements of income.

[Notes to Per Unit Information]

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Net assets per unit	517,484 yen	518,232 yen
Net income per unit	13,561 yen	14,845 yen

(Note 1) Net income per unit is calculated by dividing net income by the average number of investment units during the period. The diluted net income per unit is not stated as there are no diluted investment units.

(Note 2) The basis for calculating the net income per unit is as follows.

	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Net income (Thousands of yen)	6,512,095	7,099,759
Amounts not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	6,512,095	7,099,759
Average number of investment units during the period (Units)	480,206	478,258

[Notes to Significant Subsequent Events]

Not applicable.

(Additional information)

Acquisition of Assets

The Investment Corporation decided on the following acquisition of trust beneficiary interest in real estate on March 22, 2023.

Overview of the Acquired Asset

Asset name	S-GATE FIT Nihonbashi Bakurocho
Type of asset	Trust beneficiary interest in domestic real estate (Note 1)
Location	1-11-10 Nihonbashi-bakurocho, Chuo-ku, Tokyo
Acquisition price	6,300 million yen (excluding acquisition expenses and consumption tax, etc.)
Date of conclusion of purchase agreement	March 22, 2023
Scheduled delivery date	March 29, 2024, or a date agreed upon separately by the Sellers and the Investment Corporation by the same date
Sellers	THE SANKEI BUILDING CO., LTD. and Mitsubishi Corporation Urban Development, Inc. (Note 2)

(Note 1) Trust beneficiary interest with trust assets primarily of compartmentalized ownership for a portion of the first floor and all of the second through eleventh floors of the property.

(Note 2) The Investment Corporation will acquire quasi co-ownership interest (55/100 of holdings) in trust beneficiary interest from THE SANKEI BUILDING CO., LTD. and quasi co-ownership interest (45/100 of holdings) in trust beneficial interest from Mitsubishi Corporation Urban Development, Inc.

2.9. Increase (Decrease) in Total Number of Investment Units Issued and Outstanding

Since capital increase, etc. was not conducted in the 35th Fiscal Period, there is no change to unitholders' capital, etc. The overview of total number of investment units issued and outstanding and capital increase (decrease) in unitholders' capital in the most recent five years up to the end of the 35th Fiscal Period is as follows.

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital, net (Millions of yen) (Note 1)		Notes
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
May 31, 2021	Cancellation	(3,789)	488,088	(2,782)	245,093	(Note 2)
May 31, 2022	Cancellation	(5,559)	482,529	(3,999)	241,093	(Note 3)
November 30, 2022	Cancellation	(4,271)	478,258	(2,999)	238,093	(Note 4)

(Note 1) Unitholders' capital, net = Unitholders' capital – Deduction from unitholders' capital

(Note 2) In the period from February 24, 2021, to May 14, 2021, the Investment Corporation acquired own investment units through market purchase at the Tokyo Stock Exchange based on a discretionary transaction agreement with a securities company. The Investment Corporation cancelled all of the acquired own investment units (3,789 units) on May 31, 2021, based on the resolution at its board of directors' meeting held on May 26, 2021.

(Note 3) In the period from February 25, 2022 to March 31, 2022, the Investment Corporation acquired own investment units through market purchase at the Tokyo Stock Exchange based on a discretionary transaction agreement with a securities company. The Investment Corporation cancelled all of the acquired own investment units (5,559 units) on May 31, 2022, based on the resolution at its board of directors' meeting held on May 23, 2022.

(Note 4) In the period from August 25, 2022 to September 28, 2022, the Investment Corporation acquired own investment units through market purchase at the Tokyo Stock Exchange based on a discretionary transaction agreement with a securities company. The Investment Corporation cancelled all of the acquired own investment units (4,271 units) on November 30, 2022, based on the resolution at its board of directors' meeting held on November 25, 2022.

3. Reference Information

3.1. Investment Status

Type of asset	Use	Region	35th Fiscal Period (As of May 31, 2023)	
			Total amount owned (Millions of yen) (Note 1)	As a percentage of total assets (%)
Real estate	Office	Five Central Wards of Tokyo (Note 2)	15,471	3.2
Trust beneficiary interest in real estate	Office	Five Central Wards of Tokyo (Note 2)	344,864	71.5
		Greater Tokyo (Note 3)	79,118	16.4
		Major Regional Cities (Note 4)	8,874	1.8
Subtotal			448,328	92.9
Deposits and other assets			34,142	7.1
Total amount of assets (Note 5)			482,471	100.0
			(448,328)	(92.9)

(Note 1) “Total amount owned” is the carrying amount on the balance sheets (the book value after depreciation in the case of real estate and trust beneficiary interest in real estate).

(Note 2) “Five Central Wards of Tokyo” are Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards.

(Note 3) “Greater Tokyo” is Tokyo, Kanagawa, Chiba and Saitama prefectures (excluding the Five Central Wards of Tokyo).

(Note 4) “Major Regional Cities” are the Osaka metropolitan area (Osaka, Kyoto and Hyogo prefectures), the Nagoya metropolitan area (Aichi, Mie and Gifu prefectures), and ordinance-designated cities and core cities set forth in the Local Autonomy Act.

(Note 5) The figures in parentheses () under “Total amount of assets” show the portion of the applicable asset that, in effect, corresponds to the holding of real estate properties. The amount of construction in progress (including construction in progress in trust) is not included in the amount of real estate and trust beneficiary interest in real estate.

3.2. Investment Real Estate Properties (As of May 31, 2023)

3.2.1. Price and Investment Ratio of Investment Real Estate Properties

Region	Property name	Type of specified asset	Acquisition price (Millions of yen) (Note 1)	Carrying amount (Millions of yen) (Note 2)	Estimated price at end of period (Millions of yen) (Note 3)	Investment ratio (%) (Note 4)
Five Central Wards of Tokyo	Daiwa Ginza	Real estate	14,100	12,707	16,200	3.0
	Daiwa Ginza Annex		3,050	2,764	3,410	0.7
	Daiwa Shibaura		8,265	7,952	8,640	1.8
	Daiwa Sarugakucho		3,190	3,036	4,350	0.7
	Daiwa A Hamamatsucho (Note 5)		2,865	2,658	3,980	0.6
	Daiwa Jingumae		2,800	2,636	3,260	0.6
	Daiwa Shibadaimon		2,578	2,318	4,140	0.6
	Daiwa Misakicho		2,346	2,067	3,170	0.5
	Daiwa Tsukijiekimae		1,560	1,198	2,420	0.3
	Daiwa Tsukiji		1,240	1,148	1,820	0.3
	Daiwa Tsukishima		7,840	6,406	11,000	1.7
	Daiwa Nihonbashi Horidomecho		2,520	2,324	3,120	0.5
	Daiwa Azabudai		1,600	1,470	2,010	0.3
	Shinjuku Maynds Tower (Note 5)		66,900	62,834	64,700	14.5
	Daiwa Kodenmacho		2,460	2,349	2,460	0.5
	Daiwa Nishi-Shimbashi		5,000	4,510	7,380	1.1
	Daiwa Kayabacho		5,600	5,025	8,530	1.2
	Daiwa Jinbocho 3-chome	3,550	3,179	5,440	0.8	
	E SPACE TOWER	24,000	23,279	38,700	5.2	
	Daiwa Nihonbashi Hongokucho	1,721	1,462	2,810	0.4	
	shinyon curumu	9,650	9,376	17,200	2.1	
	Daiwa Akasaka	9,200	9,939	15,900	2.0	
	Daiwa Shibuya Miyamasuzaka	7,000	7,174	13,500	1.5	
	Daiwa Azabu Terrace	14,000	13,632	18,900	3.0	
	Daiwa Ebisu 4-chome	4,135	4,127	6,620	0.9	
	LAQUAS Higashi Shinjuku	8,450	8,194	11,600	1.8	
	Daiwa Aoyama	9,800	9,912	12,600	2.1	
	Daiwa Shibuya Shinsen	4,800	4,915	6,550	1.0	
	Daiwa Shibuya Square	16,000	15,835	23,100	3.5	
	Daiwa River Gate	28,000	27,481	35,900	6.1	
	Daiwa Hatchobori ekimae	2,871	2,879	3,420	0.6	
	Daiwa Hatchobori ekimae West	1,647	1,699	2,030	0.4	
	Daiwa Nishi-Shinjuku	13,710	13,880	18,100	3.0	
	Kirin Nihonbashi	8,180	8,255	8,470	1.8	
	Daiwa Higashi-Nihonbashi	6,370	6,163	7,360	1.4	
	Daiwa Daikanyama	2,280	2,341	3,800	0.5	
	Daiwa Shinjuku West	942	982	1,320	0.2	
	Daiwa Kanda Mikuracho	1,592	1,597	1,900	0.3	
	Daiwa Kanda East	4,200	4,172	5,900	0.9	
	Daiwa Kandasudacho	2,295	2,404	2,960	0.5	
	Daiwa Sasazuka Tower	15,500	15,914	16,200	3.4	
	Daiwa Sasazuka	3,000	3,216	3,680	0.6	
	Daiwa Harumi	11,200	11,084	13,100	2.4	
	Daiwa Mita 2-Chome	2,635	1,561	4,310	0.6	
	Nihonbashi Central Square (Note 5)	3,521	3,581	3,940	0.8	
	Daiwa Nihonbashi Bakurocho	5,733	5,752	6,940	1.2	
	Daiwa Kandabashi	1,970	2,040	2,110	0.4	
	Kandasudacho 2-Chome Development Site (land) (Note 6)	10,600	10,884	12,000	2.3	
Total for Five Central Wards of Tokyo (48 properties)			372,466	360,335	476,950	80.5

Region	Property name	Type of specified asset	Acquisition price (Millions of yen) (Note 1)	Carrying amount (Millions of yen) (Note 2)	Estimated price at end of period (Millions of yen) (Note 3)	Investment ratio (%) (Note 4)
Greater Tokyo	Daiwa Higashi-Ikebukuro	Trust beneficiary interest in real estate	2,958	2,480	4,330	0.6
	Daiwa Shinagawa North		7,710	6,862	6,340	1.7
	Daiwa Kamiooka		2,000	1,739	2,920	0.4
	Daiwa Ogikubo Tower		15,220	15,800	23,400	3.3
	Daiwa Meguro Square		5,600	5,319	7,380	1.2
	Daiwa Ogikubo		3,800	3,954	4,970	0.8
	CONCURRED Yokohama (Note 5)		38,100	37,399	41,700	8.2
	Daiwa Shinagawa Gotenyama		2,500	2,615	2,890	0.5
	Daiwa Nakano-Sakaue		2,750	2,947	2,680	0.6
Total for Greater Tokyo (9 properties)			80,638	79,118	96,610	17.4
Major Regional Cities	Daiwa Kitahama	Trust beneficiary interest in real estate	9,481	8,874	13,600	2.0
Total for Major Regional Cities (1 property)			9,481	8,874	13,600	2.0
Total (58 properties)			462,586	448,328	587,160	100.0

(Note 1) "Acquisition price" excludes acquisition costs, fixed property tax, city planning tax, consumption tax and local consumption tax. For Daiwa Nihonbashi Bakurocho, the acquisition price of the land for the property plus the building construction costs is shown.

(Note 2) "Carrying amount" is the book value after depreciation on the balance sheets as of May 31, 2023.

(Note 3) "Estimated price at end of period" is the price as of May 31, 2023, stated in appraisal reports prepared by real estate appraisers of Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd., JLL Morii Valuation & Advisory K.K. and Japan Real Estate Institute in accordance with the articles of incorporation of the Investment Corporation and the rules of The Investment Trusts Association, Japan.

(Note 4) "Investment ratio" is the acquisition price of each property expressed as a percentage of the total amount of acquisition prices, rounded to one decimal place.

(Note 5) For Daiwa A Hamamatsucho, Shinjuku Maynds Tower, Nihonbashi Central Square and CONCURRED Yokohama, the figures are those pertaining to the Investment Corporation's ownership interest.

(Note 6) The Investment Corporation plans to develop an office building on the property, and the developed and completed building is scheduled to be delivered by June 2024.

3.2.2. Summary of Building and Leasing of Investment Real Estate

Region	Property name	Structure and number of floors (Note 1)	Construction completion (Note 2)	Leasable floor area (m ²) (Note 3)	Leased floor area (m ²) (Note 4)	Total number of tenants (Note 5)	Occupancy rate (%) (Note 6)	Rent revenue during current period (Thousands of yen) (Note 7)
Five Central Wards of Tokyo	Daiwa Ginza	SRC B3/12F	July 1963	8,117.07	8,053.89	21	99.2	427,404
	Daiwa Ginza Annex	SRC B3/8F	Aug. 1972	2,032.11	2,032.11	7	100.0	95,113
	Daiwa Shibaura	SRC B1/12F	Oct. 1987	9,619.67	8,647.20	56	89.8	219,809
	Daiwa Sarugakucho (Note 8)	SRC 8F	June 1985	3,657.43	3,657.43	2	100.0	(Not disclosed)
	Daiwa A Hamamatsucho	SRC B2/10F	July 1993	3,663.38	3,663.38	12	100.0	139,352
	Daiwa Jingumae	RC B1/4F	Dec. 1997	2,198.61	2,198.61	4	100.0	86,347
	Daiwa Shibadaimon	SRC/RC B1/7F	Nov. 1996	2,386.48	2,386.48	8	100.0	106,127
	Daiwa Misakicho (Note 8)	S 8F	July 1996	2,137.53	2,137.53	1	100.0	(Not disclosed)
	Daiwa Tsukijiekimae	SRC 10F	Jan. 1996	2,659.59	2,384.18	5	89.6	62,594
	Daiwa Tsukiji	SRC B1/7F	Jan. 1990	1,487.44	1,487.44	6	100.0	52,268
	Daiwa Tsukishima	S 5F	July 1996	8,425.69	6,616.69	3	78.5	224,832
	Daiwa Nihonbashi Horidomecho	SRC B2/7F	Apr. 1993	2,848.91	2,848.91	6	100.0	89,548
	Daiwa Azabudai	SRC B2/9F	Apr. 1984	1,697.88	1,697.88	11	100.0	57,274
	Shinjuku Maynds Tower (Note 9)	S/SRC B3/34F	Sept. 1995	22,790.69	21,680.83	38	95.1	1,265,336
	Daiwa SHIBUYA EDGE (Note 10)	RC B1/9F	Aug. 2006	-	-	-	-	14,852
	Daiwa Kodenmachi	SRC 8F	Mar. 1985	2,379.31	2,379.31	8	100.0	68,411
	Daiwa Nishi-Shimbashi	SRC B1/10F	July 1993	4,815.84	4,815.84	11	100.0	190,991
	Daiwa Kayabacho (Note 8)	S/SRC B1/8F	Apr. 2010	5,899.11	5,899.11	1	100.0	(Not disclosed)
	Daiwa Jinbocho 3-chome	S 9F	Feb. 2010	2,889.34	2,889.34	8	100.0	124,133
	E SPACE TOWER	S/SRC B1/15F	Oct. 2002	13,960.84	13,447.99	13	96.3	810,982
	Daiwa Nihonbashi Hongokucho	S 8F	May 2010	2,143.08	1,855.37	5	86.5	77,464
	shinyon curumu	S/RC B2/11F	Jan. 2012	6,751.31	6,732.35	16	99.7	379,633
	Daiwa Akasaka	SRC B2/7F	Sept. 1990	8,752.21	8,752.21	19	100.0	324,843
	Daiwa Shibuya Miyamasuzaka	S B1/12F	Dec. 1988	6,328.28	6,328.28	9	100.0	300,641
	Daiwa Azabu Terrace	S/RC B1/6F	Sept. 2009	13,240.60	11,589.57	11	87.5	390,371
	Daiwa Ebisu 4-chome (Note 8)	SRC B1/9F	Dec. 1997	2,951.70	2,951.70	1	100.0	(Not disclosed)
	LAQUAS Higashi Shinjuku	S 10F	Aug. 2010	7,498.33	7,498.33	4	100.0	234,856
	Daiwa Aoyama	S/RC B1/7F	Nov. 2001	4,426.10	4,426.10	7	100.0	262,690
	Daiwa Shibuya Shinsen	RC B1/9F	Sept. 2001	2,674.97	2,674.97	5	100.0	76,585
	Daiwa Shibuya Square	S/SRC B1/11F	Feb. 2004	8,566.73	8,566.73	10	100.0	448,128
	Daiwa River Gate	S/SRC/RC B2/20F	Feb. 1994	32,045.25	31,755.10	96	99.0	1,061,372
	Daiwa Hatchobori ekimae	S/SRC B1/10F	Feb. 2006	2,622.42	2,622.42	9	100.0	91,580
Daiwa Hatchobori ekimae West	SRC B1/9F	Feb. 1996	1,734.68	1,734.68	9	100.0	52,331	
Daiwa Nishi-Shinjuku	SRC/RC/S B2/11F	Aug. 1991	6,967.61	6,535.51	6	93.7	275,380	
Kirin Nihonbashi (Note 8)	S/SRC 7F	Feb. 1999	5,630.17	5,630.17	1	100.0	(Not disclosed)	
Daiwa Higashi-Nihonbashi	S 7F	Mar. 2008	5,015.88	5,015.88	5	100.0	180,739	

Region	Property name	Structure and number of floors (Note 1)	Construction completion (Note 2)	Leasable floor area (m ²) (Note 3)	Leased floor area (m ²) (Note 4)	Total number of tenants (Note 5)	Occupancy rate (%) (Note 6)	Rent revenue during current period (Thousands of yen) (Note 7)
Five Central Wards of Tokyo	Daiwa Daikanyama (Note 8)	S 6F	Mar. 2001	1,642.83	1,642.83	1	100.0	(Not disclosed)
	Daiwa Shinjuku West	RC 4F	Mar. 1989	1,118.74	1,118.74	9	100.0	39,384
	Daiwa Kanda Mikuracho	SRC/S B1/7F	Jan. 1991	1,719.51	1,719.51	7	100.0	44,968
	Daiwa Kanda East	S 9F	Feb. 2005	3,980.56	3,980.56	5	100.0	137,529
	Daiwa Kandasudacho	S/RC B1/10F	Aug. 1990	2,211.60	2,211.60	9	100.0	60,837
	Daiwa Sasazuka Tower	SRC/RC/S B2/18F	Feb. 1993	16,158.16	16,158.16	7	100.0	498,068
	Daiwa Sasazuka	SRC/S B1/8F	Dec. 1991	3,828.95	3,828.95	9	100.0	104,804
	Daiwa Harumi	S B1/12F	Jan. 2008	11,227.10	11,227.10	7	100.0	365,631
	Daiwa Mita 2-Chome (Note 8)	S 8F	Mar. 2017	2,101.61	2,101.61	1	100.0	(Not disclosed)
	Nihonbashi Central Square (Note 11)	S 8F	Jan. 2010	1,837.05	1,837.05	10	100.0	79,214
	Daiwa Nihonbashi Bakurocho	S 10F	Nov. 2022	3,677.63	3,607.53	4	98.0	25,159
	Daiwa Kandabashi	S B1/10F	Aug. 2009	1,224.00	1,224.00	12	100.0	44,727
	Kandasudacho 2-Chome Development Site (land) (Note 12)	—	—	—	—	—	—	—
Total for Five Central Wards of Tokyo (49 properties)				271,743.98	264,251.16	515	97.2	10,489,810
Greater Tokyo	Daiwa Higashi-Ikebukuro	SRC/S B1/9F	June 1993	4,462.28	4,462.28	8	100.0	130,020
	Daiwa Shinagawa North	SRC B1/11F	July 1991	6,546.03	6,546.03	15	100.0	204,747
	Daiwa Kamiooka	S/SRC B3/7F	May 2011	2,630.30	2,630.30	9	100.0	93,805
	Daiwa Ogikubo Tower (Note 13)	S/SRC B2/18F	June 1993	17,778.14	17,778.14	10	100.0	675,299
	Daiwa Meguro Square	S/SRC B2/14F	July 2009	3,519.50	3,403.99	17	96.7	156,029
	Daiwa Ogikubo	SRC B1/7F	Nov. 1990	3,849.63	3,849.63	12	100.0	127,551
	CONCURRED Yokohama (Note 14)	S/SRC B1/20F	Feb. 2008	28,052.98	27,542.70	37	98.1	1,064,892
	Daiwa Shinagawa Gotenyama	SRC/S 8F	July 1992	2,396.96	2,396.96	6	100.0	79,594
	Daiwa Nakano-Sakaue	SRC B1/8F	Jan. 1995	2,716.92	2,716.92	6	100.0	76,213
Total for Greater Tokyo (9 properties)				71,952.74	71,326.95	120	99.1	2,608,154
Major Regional Cities	Daiwa Kitahama	S/SRC B1/16F	Feb. 2008	13,517.62	13,517.62	7	100.0	405,808
Total for Major Regional Cities (1 property)				13,517.62	13,517.62	7	100.0	405,808
Total (59 properties)				357,214.34	349,095.73	642	97.7	13,503,773

(Note 1) “Structure and number of floors” are the entries in the real estate registry of the building of the applicable investment real estate property. “S” refers to steel-framed structure, “RC” refers to reinforced concrete structure, “SRC” refers to steel-framed reinforced concrete structure, “B” refers to floors below ground and “F” refers to floors above ground.

(Note 2) “Construction completion” is the entry in the real estate registry of the building of the applicable investment real estate property.

(Note 3) “Leasable floor area” represents the floor area of the building of the applicable property that is leasable, not including the leasable area of the land (including level parking space), and is the floor area indicated in the lease contract, etc. as of May 31, 2023.

(Note 4) “Leased floor area” is the sum total of the floor area that is actually leased based on lease agreements, etc. executed with end tenants as of May 31, 2023.

(Note 5) “Total number of tenants” is the number of end tenants. When there is a tenant occupying multiple buildings, the concerned tenant is counted and stated for each individual building.

- (Note 6) “Occupancy rate” is the figure arrived at when leased floor area is divided by leasable floor area, rounded down to one decimal place.
- (Note 7) “Rent revenue during current period” is rent income, common area charges income, parking lot income and other income generated from the applicable investment real estate property (excluding other lease business revenue) during the 35th Fiscal Period, rounded down to the nearest thousand yen.
- (Note 8) Not shown for such reasons as consent was not obtained from major tenants to disclose the rent revenue during current period for the properties.
- (Note 9) The real estate in trust pertaining to trust beneficiary interest held by the Investment Corporation is the co-ownership interest corresponding to three-sevenths of the entire property. Accordingly, leasable floor area and leased floor area are the floor areas corresponding to three-sevenths of the entire building.
- (Note 10) The property was sold on December 21, 2022. This is reflected in the totals for the number of properties and the rent revenue during current period.
- (Note 11) The real estate in trust pertaining to trust beneficiary interest held by the Investment Corporation is the compartmentalized ownership building. Of the rent revenue, the Investment Corporation’s ownership ratio of revenue from the master lease business (rent income, etc.) is 183,715/301,220, based on the agreement, etc. among the compartmentalized co-owners of the property. Leasable floor area and leased floor area are figures corresponding to 183,715/301,220 of the area subject to the business while total number of tenants and occupancy rate are figures for the entirety of the area subject to the business.
- (Note 12) The Investment Corporation currently owns only the land as the development site, and is proceeding with the development of an office building on the property.
- (Note 13) The buildings consist of three registrations. Of these, the details of the major building are shown here.
- (Note 14) The real estate in trust pertaining to trust beneficiary interest held by the Investment Corporation is the quasi co-ownership interest corresponding to 75% of the entire property. Accordingly, leasable floor area and leased floor area are the floor areas corresponding to 75% of the entire building.

3.2.3. Capital Expenditures for Assets Under Management

A. Scheduled Capital Expenditures

The following are the principal capital expenditures arising from renovation construction work, etc. currently planned for existing portfolio properties. Please note that the expected construction amount includes portions that are expensed as a separate account item of accounting costs.

Name of real estate properties (Location)	Purpose	Scheduled implementation period	Estimated construction cost (Millions of yen)		
			Total amount	Amount paid during current period	Total amount already paid
Daiwa Kanda East (Chiyoda-ku, Tokyo)	Upgrading of air-conditioning facilities	From: June 2023 To: Nov. 2023	168	–	–
Daiwa Shibuya Square (Shibuya-ku, Tokyo)	Upgrading of air-conditioning facilities	From: June 2023 To: Nov. 2023	124	–	–
Daiwa Ogikubo Tower (Suginami-ku, Tokyo)	Renewal of window cleaner platform	From: June 2023 To: Nov. 2023	88	–	–
Daiwa Tsukishima (Chuo-ku, Tokyo)	Interior renovation of fifth floor	From: June 2023 To: Nov. 2023	70	–	–
Daiwa Azabu Terrace (Minato-ku, Tokyo)	Conversion to LED lighting at common and exclusive areas	From: June 2023 To: Nov. 2023	64	–	–

B. Capital Expenditures During the 35th Fiscal Period

The following summarizes the primary construction work that constitutes capital expenditures implemented during the 35th Fiscal Period for existing portfolio properties. Capital expenditures for the 35th Fiscal Period amounted to 1,116 million yen and, when combined with the 575 million yen in repair expenses charged to the 35th Fiscal Period expenses, totals 1,691 million yen in construction work implemented.

Name of real estate properties (Location)	Purpose	Period	Construction amount paid (Millions of yen)
Daiwa River Gate (Chuo-ku, Tokyo)	Modification of heat source system	From: Dec. 2022 To: Dec. 2022	305
Daiwa Shibuya Square (Shibuya-ku, Tokyo)	Upgrading of air-conditioning facilities	From: Dec. 2022 To: Dec. 2022	106
E SPACE TOWER (Shibuya-ku, Tokyo)	Upgrading of 3F PAC/HEX	From: Dec. 2022 To: Jan. 2023	67
Other			636
Total			1,116

C. Reserve Amount for Long-Term Repair Plans (Reserve for Repairs)

The Investment Corporation sets aside the following reserve for repairs from cash flows during the fiscal period for the payment of future major repairs.

(Unit: Millions of yen)

Fiscal period	31st Fiscal Period [From: Dec. 1, 2020 To: May 31, 2021]	32nd Fiscal Period [From: June 1, 2021 To: Nov. 30, 2021]	33rd Fiscal Period [From: Dec. 1, 2021 To: May 31, 2022]	34th Fiscal Period [From: June 1, 2022 To: Nov. 30, 2022]	35th Fiscal Period [From: Dec. 1, 2022 To: May 31, 2023]
Balance of reserve at beginning of current period	2,190	2,190	1,225	1,619	1,402
Amount of reserve in current period	–	–	744	98	1,377
Reversal of reserve in current period	–	965	351	316	1,156
Amount carried forward to next period	2,190	1,225	1,619	1,402	1,623

3.2.4. Summary of Estimated Price at End of Period (As of May 31, 2023)

Property name	Estimated price at end of period (Millions of yen) (Note 1)	Summary of Appraisal Report				
		Direct capitalization method		DCF method		
		Price (Millions of yen)	Cap rate (%)	Price (Millions of yen)	Discount rate (%)	Terminal cap rate (%)
Daiwa Ginza	16,200	16,300	3.4	16,100	3.1	3.6
Daiwa Ginza Annex	3,410	3,450	3.5	3,370	3.1	3.7
Daiwa Shibaura	8,640	8,670	3.8	8,630	3.6	4.0
Daiwa Sarugakucho	4,350	4,420	4.1	4,270	3.9	4.3
Daiwa A Hamamatsucho (Note 2)	3,980	4,070	3.6	3,940	3.4	3.8
Daiwa Jingumae	3,260	3,310	3.5	3,210	3.3	3.7
Daiwa Shibadaimon	4,140	4,200	3.4	4,120	3.2	3.6
Daiwa Misakicho	3,170	3,220	3.7	3,150	3.5	3.9
Daiwa Tsukijiekimae (Note 3)	2,420	2,450	3.9	2,400	3.9	4.1
Daiwa Tsukiji	1,820	1,830	3.7	1,810	3.7	3.9
Daiwa Tsukishima	11,000	11,200	3.9	10,900	3.6	4.1
Daiwa Nihonbashi Horidomecho	3,120	3,180	3.8	3,060	3.6	4.0
Daiwa Azabudai	2,010	2,040	3.7	1,970	3.5	3.9
Shinjuku Maynds Tower (Note 4)	64,700	157,000	3.0	149,000	2.8	3.2
Daiwa Kodenmacho	2,460	2,500	3.9	2,410	3.7	4.1
Daiwa Nishi-Shimbashi	7,380	7,530	3.4	7,320	3.2	3.6
Daiwa Kayabacho	8,530	8,690	3.2	8,460	3.0	3.4
Daiwa Jinbocho 3-chome	5,440	5,560	3.2	5,390	3.0	3.4
E SPACE TOWER	38,700	39,100	2.8	38,200	2.6	2.9
Daiwa Nihonbashi Hongokucho	2,810	2,840	3.8	2,790	3.6	4.0
shinyon curumu	17,200	17,500	3.1	17,000	2.9	3.3
Daiwa Akasaka	15,900	16,200	3.1	15,700	2.9	3.3
Daiwa Shibuya Miyamasuzaka	13,500	13,600	3.1	13,400	2.9	3.2
Daiwa Azabu Terrace	18,900	19,100	3.3	18,600	3.1	3.4
Daiwa Ebisu 4-chome	6,620	6,630	3.5	6,610	3.6	3.7
LAQUAS Higashi Shinjuku	11,600	12,000	3.2	11,400	3.0	3.4
Daiwa Aoyama	12,600	12,900	3.1	12,400	2.9	3.3
Daiwa Shibuya Shinsen	6,550	6,790	3.2	6,450	3.0	3.4
Daiwa Shibuya Square	23,100	23,100	3.1	23,100	2.9	3.2
Daiwa River Gate	35,900	36,100	3.4	35,600	3.2	3.5
Daiwa Hatchobori ekimae	3,420	3,500	3.3	3,390	3.1	3.5
Daiwa Hatchobori ekimae West	2,030	2,090	3.4	2,010	3.2	3.6
Daiwa Nishi-Shinjuku	18,100	18,600	3.2	17,900	3.0	3.4
Kirin Nihonbashi	8,470	8,540	3.5	8,390	3.3	3.6
Daiwa Higashi-Nihonbashi	7,360	7,510	3.7	7,290	3.5	3.9
Daiwa Daikanyama (Note 5)	3,800	3,860	3.0	3,770	3.0	3.2

Property name	Estimated price at end of period (Millions of yen) (Note 1)	Summary of Appraisal Report				
		Direct capitalization method		DCF method		
		Price (Millions of yen)	Cap rate (%)	Price (Millions of yen)	Discount rate (%)	Terminal cap rate (%)
Daiwa Shinjuku West	1,320	1,330	3.7	1,310	3.5	3.9
Daiwa Kanda Mikuracho	1,900	1,930	3.6	1,890	3.6	3.8
Daiwa Kanda East	5,900	5,960	3.2	5,840	3.0	3.3
Daiwa Kandasudacho	2,960	2,970	3.4	2,950	3.4	3.6
Daiwa Sasazuka Tower	16,200	16,600	3.8	16,000	3.6	4.0
Daiwa Sasazuka	3,680	3,760	3.9	3,640	3.7	4.1
Daiwa Harumi	13,100	13,200	3.5	12,900	3.5	3.7
Daiwa Mita 2-Chome	4,310	4,360	3.5	4,260	3.3	3.6
Nihonbashi Central Square (Note 6)	3,940	4,100	3.3	3,870	3.1	3.5
Daiwa Nihonbashi Bakurocho	6,940	7,210	3.4	6,830	3.2	3.6
Daiwa Kandabashi	2,110	2,170	3.3	2,080	3.1	3.5
Kandasudacho 2-Chome Development Site (land) (Note 7)	12,000	–	–	–	–	–
Daiwa Higashi-Ikebukuro	4,330	4,370	4.0	4,310	3.8	4.2
Daiwa Shinagawa North	6,340	6,470	4.0	6,200	3.8	4.2
Daiwa Kamiooka	2,920	2,940	4.4	2,910	4.2	4.6
Daiwa Ogikubo Tower	23,400	23,500	3.6	23,300	3.4	3.8
Daiwa Meguro Square	7,380	7,600	3.4	7,290	3.2	3.6
Daiwa Ogikubo	4,970	5,030	3.8	4,940	3.6	4.0
CONCURRED Yokohama (Note 8)	41,700	42,700	4.1	41,200	3.9	4.3
Daiwa Shinagawa Gotenyama	2,890	2,920	3.9	2,870	3.7	4.1
Daiwa Nakano-Sakaue	2,680	2,800	3.9	2,630	3.6	4.1
Daiwa Kitahama	13,600	13,700	3.6	13,500	3.4	3.8
Total	587,160	675,200	–	654,230	–	–

(Note 1) “Estimated price at end of period” is the price as of May 31, 2023, stated in appraisal reports prepared by real estate appraisers of Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd., JLL Morii Valuation & Advisory K.K. and Japan Real Estate Institute in accordance with the articles of incorporation of the Investment Corporation and the rules of The Investment Trusts Association, Japan.

(Note 2) For Daiwa A Hamamatsucho, the prices are those pertaining to the Investment Corporation’s ownership interest.

(Note 3) Discount rate for Daiwa Tsukijiekimae is the figure after the second fiscal year (3.8% in the first fiscal year).

(Note 4) For Shinjuku Maynds Tower, the estimated price at end of period is the price pertaining to the Investment Corporation’s ownership interest, and the price indicated by the direct capitalization method and price indicated by the DCF method are the prices pertaining to the entire property.

(Note 5) Discount rate for Daiwa Daikanyama is the figure for the eleventh fiscal year (3.1% up to the tenth fiscal year).

(Note 6) For Nihonbashi Central Square, the prices are those pertaining to the Investment Corporation’s ownership interest.

(Note 7) For Kandasudacho 2-Chome Development Site (land), the estimated price at end of period is the income approach value indicated by the capitalization method (development leasing-type).

(Note 8) For CONCURRED Yokohama, the prices are those pertaining to the Investment Corporation’s ownership interest.

3.2.5. Status of Income (Loss), Etc. of Individual Properties

The following table lists the status of income (loss), etc. of each property for the 35th Fiscal Period (from December 1, 2022 to May 31, 2023). Income (loss) information is presented in accordance with “2. Financial Statements; (2.7.) Notes to Significant Accounting Policies” outlined earlier.

Region		Five Central Wards of Tokyo				
Property name		Daiwa Ginza	Daiwa Ginza Annex	Daiwa Shibaura	Daiwa Sarugakucho (Note 3)	Daiwa A Hamamatsucho
Acquisition date		Oct. 2005	Oct. 2005	Oct. 2005	Oct. 2005	Oct. 2005
Price information	Acquisition price (Millions of yen)	14,100	3,050	8,265	3,190	2,865
	Investment ratio (%)	3.0	0.7	1.8	0.7	0.6
	Carrying amount (Millions of yen)	12,707	2,764	7,952	3,036	2,658
	Estimated price at end of period (Millions of yen)	16,200	3,410	8,640	4,350	3,980
Leasing information	Total number of tenants (Note 1)	21	7	56	2	12
	Leasable floor area (m ²)	8,117.07	2,032.11	9,619.67	3,657.43	3,663.38
	Leased floor area (m ²)	8,053.89	2,032.11	8,647.20	3,657.43	3,663.38
	Occupancy rate (%)					
	End of May 2021	99.7	100.0	98.7	100.0	100.0
	End of Nov. 2021	99.8	100.0	99.5	100.0	100.0
	End of May 2022	99.8	100.0	99.5	100.0	100.0
	End of Nov. 2022	99.2	100.0	89.8	100.0	100.0
End of May 2023	99.2	100.0	89.8	100.0	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	427,404	95,113	223,081	(Not disclosed)	139,352
	Rent revenue – real estate	427,404	95,113	219,809	(Not disclosed)	139,352
	Other lease business revenue	–	–	3,272	(Not disclosed)	–
	Total property leasing expenses (B) (Thousands of yen)	167,761	39,745	134,236	(Not disclosed)	77,006
	Consignment expenses	26,527	6,228	29,979	(Not disclosed)	10,285
	Utilities expenses	32,085	7,530	19,736	(Not disclosed)	11,407
	Taxes and dues	35,984	11,915	21,291	(Not disclosed)	9,311
	Non-life insurance expenses	647	149	595	(Not disclosed)	283
	Repair expenses	9,772	5,243	24,260	(Not disclosed)	1,234
	Depreciation (C)	44,941	8,677	38,354	(Not disclosed)	15,083
	Other lease business expenses	17,802	–	20	(Not disclosed)	29,400
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	259,642	55,368	88,844	(Not disclosed)	62,346
NOI (E) [(D) + (C)] (Thousands of yen)	304,584	64,045	127,198	78,369	77,430	
Capital expenditures (F) (Thousands of yen)	3,987	38,850	25,115	–	–	
NCF [(E) – (F)] (Thousands of yen)	300,596	25,195	102,083	78,369	77,430	
Reference information	Expense rate (%) [(B) ÷ (A)]	39.25	41.79	60.17	(Not disclosed)	55.26
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	77,380	25,667	44,226	15,397	19,379
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	785,230	203,990	302,630	96,757	103,380

Region		Five Central Wards of Tokyo				
Property name		Daiwa Jingumae	Daiwa Shibadaimon	Daiwa Misakicho (Note 3)	Daiwa Tsukijiekimae	Daiwa Tsukiji
Acquisition date		Oct. 2005	Oct. 2005	Oct. 2005	Jan. 2006	Jan. 2006
Price information	Acquisition price (Millions of yen)	2,800	2,578	2,346	1,560	1,240
	Investment ratio (%)	0.6	0.6	0.5	0.3	0.3
	Carrying amount (Millions of yen)	2,636	2,318	2,067	1,198	1,148
	Estimated price at end of period (Millions of yen)	3,260	4,140	3,170	2,420	1,820
Leasing information	Total number of tenants (Note 1)	4	8	1	5	6
	Leasable floor area (m ²)	2,198.61	2,386.48	2,137.53	2,659.59	1,487.44
	Leased floor area (m ²)	2,198.61	2,386.48	2,137.53	2,384.18	1,487.44
	Occupancy rate (%)					
	End of May 2021	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2021	100.0	100.0	100.0	100.0	100.0
	End of May 2022	100.0	84.7	100.0	100.0	100.0
	End of Nov. 2022	100.0	100.0	100.0	100.0	100.0
End of May 2023	100.0	100.0	100.0	89.6	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	86,347	106,127	(Not disclosed)	62,594	52,268
	Rent revenue – real estate	86,347	106,127	(Not disclosed)	62,594	52,268
	Other lease business revenue	–	–	(Not disclosed)	–	–
	Total property leasing expenses (B) (Thousands of yen)	61,871	37,577	(Not disclosed)	32,036	30,372
	Consignment expenses	4,156	6,761	(Not disclosed)	5,212	3,905
	Utilities expenses	5,231	8,059	(Not disclosed)	6,215	4,114
	Taxes and dues	7,127	6,852	(Not disclosed)	5,371	4,226
	Non-life insurance expenses	128	185	(Not disclosed)	154	94
	Repair expenses	36,153	5,056	(Not disclosed)	979	10,968
	Depreciation (C)	9,065	10,663	(Not disclosed)	14,085	7,061
	Other lease business expenses	7	–	(Not disclosed)	18	–
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	24,475	68,550	(Not disclosed)	30,558	21,895
	NOI (E) [(D) + (C)] (Thousands of yen)	33,541	79,213	56,789	44,643	28,957
Capital expenditures (F) (Thousands of yen)	7,590	2,915	2,799	9,156	68,013	
NCF [(E) – (F)] (Thousands of yen)	25,951	76,298	53,989	35,486	(39,055)	
Reference information	Expense rate (%) [(B) ÷ (A)]	71.65	35.41	(Not disclosed)	51.18	58.11
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	15,187	14,216	11,702	11,104	8,867
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	99,700	87,656	114,585	79,450	97,348

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Region		Five Central Wards of Tokyo				
Property name		Daiwa Tsukishima	Daiwa Nihonbashi Horidomecho	Daiwa Azabudai	Shinjuku Maynds Tower	Daiwa SHIBUYA EDGE (Note 4)
Acquisition date		Mar. 2006	May 2006	May 2006	July 2007 and Nov. 2007	July 2007
Price information	Acquisition price (Millions of yen)	7,840	2,520	1,600	66,900	–
	Investment ratio (%)	1.7	0.5	0.3	14.5	–
	Carrying amount (Millions of yen)	6,406	2,324	1,470	62,834	–
	Estimated price at end of period (Millions of yen)	11,000	3,120	2,010	64,700	–
Leasing information	Total number of tenants (Note 1)	3	6	11	38	–
	Leasable floor area (m ²)	8,425.69	2,848.91	1,697.88	22,790.69	–
	Leased floor area (m ²)	6,616.69	2,848.91	1,697.88	21,680.83	–
	Occupancy rate (%)					
	End of May 2021	100.0	100.0	100.0	99.6	100.0
	End of Nov. 2021	100.0	100.0	100.0	98.0	73.9
	End of May 2022	100.0	100.0	100.0	92.5	100.0
End of Nov. 2022	78.5	100.0	100.0	93.4	100.0	
End of May 2023	78.5	100.0	100.0	95.1	–	
Income (loss) information	Number of days of asset management	182	182	182	182	20
	Total property leasing revenue (A) (Thousands of yen)	224,832	89,548	57,274	1,268,052	14,852
	Rent revenue – real estate	224,832	89,548	57,274	1,265,336	14,852
	Other lease business revenue	–	–	–	2,715	–
	Total property leasing expenses (B) (Thousands of yen)	111,665	63,464	22,258	595,199	13,265
	Consignment expenses	11,794	4,906	3,869	88,826	671
	Utilities expenses	15,059	7,728	3,669	141,745	3,156
	Taxes and dues	15,362	7,159	5,207	137,860	7,853
	Non-life insurance expenses	448	198	115	2,914	17
	Repair expenses	11,470	28,740	1,017	24,962	–
	Depreciation (C)	57,530	14,731	8,378	197,232	1,565
	Other lease business expenses	–	–	–	1,656	–
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	113,166	26,084	35,015	672,852	1,586
NOI (E) [(D) + (C)] (Thousands of yen)	170,697	40,815	43,394	870,085	3,152	
Capital expenditures (F) (Thousands of yen)	3,453	2,795	–	26,208	–	
NCF [(E) – (F)] (Thousands of yen)	167,243	38,019	43,394	843,877	3,152	
Reference information	Expense rate (%) [(B) ÷ (A)]	49.67	70.87	38.86	46.94	89.32
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	31,930	14,752	10,993	286,186	–
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	136,680	147,575	110,990	5,834,950	–

Region		Five Central Wards of Tokyo				
Property name		Daiwa Kodenmacho	Daiwa Nishi-Shimbashi	Daiwa Kayabacho (Note 3)	Daiwa Jinbocho 3-chome	E SPACE TOWER
Acquisition date		Aug. 2007	Aug. 2010	Mar. 2011	Mar. 2011	July 2011
Price information	Acquisition price (Millions of yen)	2,460	5,000	5,600	3,550	24,000
	Investment ratio (%)	0.5	1.1	1.2	0.8	5.2
	Carrying amount (Millions of yen)	2,349	4,510	5,025	3,179	23,279
	Estimated price at end of period (Millions of yen)	2,460	7,380	8,530	5,440	38,700
Leasing information	Total number of tenants (Note 1)	8	11	1	8	13
	Leasable floor area (m ²)	2,379.31	4,815.84	5,899.11	2,889.34	13,960.84
	Leased floor area (m ²)	2,379.31	4,815.84	5,899.11	2,889.34	13,447.99
	Occupancy rate (%)					
	End of May 2021	100.0	100.0	100.0	88.1	100.0
	End of Nov. 2021	100.0	100.0	100.0	100.0	100.0
	End of May 2022	86.8	100.0	100.0	100.0	100.0
	End of Nov. 2022	100.0	100.0	100.0	100.0	100.0
End of May 2023	100.0	100.0	100.0	100.0	96.3	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	68,411	190,991	(Not disclosed)	124,133	810,982
	Rent revenue – real estate	68,411	190,991	(Not disclosed)	124,133	810,982
	Other lease business revenue	–	–	(Not disclosed)	–	–
	Total property leasing expenses (B) (Thousands of yen)	37,444	89,971	(Not disclosed)	57,067	277,891
	Consignment expenses	5,446	15,394	(Not disclosed)	10,295	46,275
	Utilities expenses	6,509	14,562	(Not disclosed)	10,529	62,805
	Taxes and dues	3,935	16,617	(Not disclosed)	10,211	64,167
	Non-life insurance expenses	143	375	(Not disclosed)	196	998
	Repair expenses	11,963	3,932	(Not disclosed)	5,850	30,186
	Depreciation (C)	8,621	39,089	(Not disclosed)	19,985	73,341
	Other lease business expenses	822	–	(Not disclosed)	–	116
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	30,966	101,020	(Not disclosed)	67,066	533,090
	NOI (E) [(D) + (C)] (Thousands of yen)	39,588	140,109	115,816	87,051	606,432
Capital expenditures (F) (Thousands of yen)	48,874	20,905	–	1,828	88,799	
NCF [(E) – (F)] (Thousands of yen)	(9,286)	119,204	115,816	85,222	517,633	
Reference information	Expense rate (%) [(B) ÷ (A)]	54.73	47.11	(Not disclosed)	45.97	34.27
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	8,248	34,925	27,074	21,400	136,489
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	84,051	178,710	138,850	98,780	696,050

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Region		Five Central Wards of Tokyo				
Property name		Daiwa Nihonbashi Hongokucho	shinyon curumu	Daiwa Akasaka	Daiwa Shibuya Miyamasuzaka	Daiwa Azabu Terrace
Acquisition date		May 2012	Dec. 2012 and Apr. 2013	Aug. 2013	Sept. 2013	July 2014
Price information	Acquisition price (Millions of yen)	1,721	9,650	9,200	7,000	14,000
	Investment ratio (%)	0.4	2.1	2.0	1.5	3.0
	Carrying amount (Millions of yen)	1,462	9,376	9,939	7,174	13,632
	Estimated price at end of period (Millions of yen)	2,810	17,200	15,900	13,500	18,900
Leasing information	Total number of tenants (Note 1)	5	16	19	9	11
	Leasable floor area (m ²)	2,143.08	6,751.31	8,752.21	6,328.28	13,240.60
	Leased floor area (m ²)	1,855.37	6,732.35	8,752.21	6,328.28	11,589.57
	Occupancy rate (%)					
	End of May 2021	100.0	93.3	96.7	88.1	100.0
	End of Nov. 2021	100.0	100.0	82.0	99.2	100.0
	End of May 2022	100.0	100.0	82.0	100.0	93.9
	End of Nov. 2022	100.0	100.0	95.5	100.0	84.2
End of May 2023	86.5	99.7	100.0	100.0	87.5	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	77,464	379,833	338,628	300,641	390,371
	Rent revenue – real estate	77,464	379,633	324,843	300,641	390,371
	Other lease business revenue	–	200	13,785	–	–
	Total property leasing expenses (B) (Thousands of yen)	26,794	148,432	177,154	94,780	213,052
	Consignment expenses	3,442	37,745	36,445	19,932	54,889
	Utilities expenses	5,023	30,042	32,015	21,563	54,377
	Taxes and dues	4,634	38,960	36,235	24,326	34,609
	Non-life insurance expenses	121	495	635	470	917
	Repair expenses	133	2,148	8,860	1,888	13,812
	Depreciation (C)	13,438	39,039	62,960	26,563	54,446
	Other lease business expenses	–	–	–	36	–
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	50,669	231,400	161,474	205,860	177,318
NOI (E) [(D) + (C)] (Thousands of yen)	64,107	270,440	224,434	232,423	231,765	
Capital expenditures (F) (Thousands of yen)	–	1,672	3,730	213	2,867	
NCF [(E) – (F)] (Thousands of yen)	64,107	268,768	220,704	232,210	228,898	
Reference information	Expense rate (%) [(B) ÷ (A)]	34.59	39.08	52.32	31.53	54.58
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	9,603	78,901	76,064	52,166	72,345
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	75,395	301,626	327,392	457,625	491,112

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Region		Five Central Wards of Tokyo				
Property name		Daiwa Ebisu 4-chome (Note 3)	LAQUAS Higashi Shinjuku	Daiwa Aoyama	Daiwa Shibuya Shinsen	Daiwa Shibuya Square
Acquisition date		Dec. 2014	Dec. 2014	Mar. 2015	Mar. 2015	May 2015
Price information	Acquisition price (Millions of yen)	4,135	8,450	9,800	4,800	16,000
	Investment ratio (%)	0.9	1.8	2.1	1.0	3.5
	Carrying amount (Millions of yen)	4,127	8,194	9,912	4,915	15,835
	Estimated price at end of period (Millions of yen)	6,620	11,600	12,600	6,550	23,100
Leasing information	Total number of tenants (Note 1)	1	4	7	5	10
	Leasable floor area (m ²)	2,951.70	7,498.33	4,426.10	2,674.97	8,566.73
	Leased floor area (m ²)	2,951.70	7,498.33	4,426.10	2,674.97	8,566.73
	Occupancy rate (%)					
	End of May 2021	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2021	100.0	100.0	100.0	100.0	96.8
	End of May 2022	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2022	100.0	100.0	100.0	67.5	100.0
End of May 2023	100.0	100.0	100.0	100.0	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	(Not disclosed)	234,856	262,690	76,585	448,128
	Rent revenue – real estate	(Not disclosed)	234,856	262,690	76,585	448,128
	Other lease business revenue	(Not disclosed)	–	–	–	–
	Total property leasing expenses (B) (Thousands of yen)	(Not disclosed)	89,084	59,729	62,544	136,476
	Consignment expenses	(Not disclosed)	10,513	12,801	28,645	25,180
	Utilities expenses	(Not disclosed)	18,490	9,484	5,440	23,855
	Taxes and dues	(Not disclosed)	21,559	16,305	8,950	29,510
	Non-life insurance expenses	(Not disclosed)	459	230	181	566
	Repair expenses	(Not disclosed)	3,328	1,949	2,550	27,251
	Depreciation (C)	(Not disclosed)	34,574	18,957	16,775	30,112
	Other lease business expenses	(Not disclosed)	158	–	–	–
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	(Not disclosed)	145,772	202,960	14,041	311,652
NOI (E) [(D) + (C)] (Thousands of yen)	139,392	180,346	221,918	30,817	341,764	
Capital expenditures (F) (Thousands of yen)	–	1,207	1,787	542	132,048	
NCF [(E) – (F)] (Thousands of yen)	139,392	179,139	220,130	30,275	209,715	
Reference information	Expense rate (%) [(B) ÷ (A)]	(Not disclosed)	37.93	22.74	81.67	30.45
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	21,109	44,943	34,986	18,277	62,230
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	98,692	162,700	175,290	178,610	234,380

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Region		Five Central Wards of Tokyo				
Property name		Daiwa River Gate	Daiwa Hatchobori ekimae	Daiwa Hatchobori ekimae West	Daiwa Nishi-Shinjuku	Kirin Nihonbashi (Note 3)
Acquisition date		June 2015	Sept. 2015	Sept. 2015	Mar. 2016	May 2016
Price information	Acquisition price (Millions of yen)	28,000	2,871	1,647	13,710	8,180
	Investment ratio (%)	6.1	0.6	0.4	3.0	1.8
	Carrying amount (Millions of yen)	27,481	2,879	1,699	13,880	8,255
	Estimated price at end of period (Millions of yen)	35,900	3,420	2,030	18,100	8,470
Leasing information	Total number of tenants (Note 1)	96	9	9	6	1
	Leasable floor area (m ²)	32,045.25	2,622.42	1,734.68	6,967.61	5,630.17
	Leased floor area (m ²)	31,755.10	2,622.42	1,734.68	6,535.51	5,630.17
	Occupancy rate (%)					
	End of May 2021	83.4	100.0	100.0	100.0	100.0
	End of Nov. 2021	92.6	100.0	100.0	100.0	100.0
	End of May 2022	99.4	100.0	100.0	100.0	100.0
	End of Nov. 2022	99.7	100.0	100.0	100.0	100.0
End of May 2023	99.0	100.0	100.0	93.7	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	1,066,279	91,580	52,331	275,380	(Not disclosed)
	Rent revenue – real estate	1,061,372	91,580	52,331	275,380	(Not disclosed)
	Other lease business revenue	4,907	–	–	–	(Not disclosed)
	Total property leasing expenses (B) (Thousands of yen)	524,548	49,325	27,419	100,586	(Not disclosed)
	Consignment expenses	82,443	10,927	4,604	14,247	(Not disclosed)
	Utilities expenses	108,293	8,663	3,874	19,591	(Not disclosed)
	Taxes and dues	103,083	9,460	4,411	40,621	(Not disclosed)
	Non-life insurance expenses	2,726	196	101	480	(Not disclosed)
	Repair expenses	72,119	10,441	8,951	4,062	(Not disclosed)
	Depreciation (C)	155,760	9,635	5,476	21,582	(Not disclosed)
	Other lease business expenses	120	–	–	–	(Not disclosed)
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	541,731	42,255	24,912	174,794	(Not disclosed)
NOI (E) [(D) + (C)] (Thousands of yen)	697,491	51,890	30,388	196,376	153,704	
Capital expenditures (F) (Thousands of yen)	336,296	16,951	230	11,467	27,184	
NCF [(E) – (F)] (Thousands of yen)	361,195	34,939	30,158	184,908	126,519	
Reference information	Expense rate (%) [(B) ÷ (A)]	49.19	53.86	52.40	36.53	(Not disclosed)
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	205,855	19,536	9,323	86,828	23,444
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	2,001,250	159,500	91,420	252,590	116,090

Region		Five Central Wards of Tokyo				
Property name		Daiwa Higashi-Nihonbashi	Daiwa Daikanyama (Note 3)	Daiwa Shinjuku West	Daiwa Kanda Mikuracho	Daiwa Kanda East
Acquisition date		June 2016	June 2016	July 2016	Dec. 2016	Jan. 2018
Price information	Acquisition price (Millions of yen)	6,370	2,280	942	1,592	4,200
	Investment ratio (%)	1.4	0.5	0.2	0.3	0.9
	Carrying amount (Millions of yen)	6,163	2,341	982	1,597	4,172
	Estimated price at end of period (Millions of yen)	7,360	3,800	1,320	1,900	5,900
Leasing information	Total number of tenants (Note 1)	5	1	9	7	5
	Leasable floor area (m ²)	5,015.88	1,642.83	1,118.74	1,719.51	3,980.56
	Leased floor area (m ²)	5,015.88	1,642.83	1,118.74	1,719.51	3,980.56
	Occupancy rate (%)					
	End of May 2021	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2021	100.0	100.0	100.0	100.0	100.0
	End of May 2022	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2022	100.0	100.0	100.0	84.7	100.0
End of May 2023	100.0	100.0	100.0	100.0	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	180,739	(Not disclosed)	39,384	44,968	137,529
	Rent revenue – real estate	180,739	(Not disclosed)	39,384	44,968	137,529
	Other lease business revenue	–	(Not disclosed)	–	–	–
	Total property leasing expenses (B) (Thousands of yen)	65,831	(Not disclosed)	13,170	19,225	52,011
	Consignment expenses	7,507	(Not disclosed)	3,367	6,994	11,188
	Utilities expenses	15,096	(Not disclosed)	3,144	2,697	11,825
	Taxes and dues	11,923	(Not disclosed)	3,227	3,624	10,569
	Non-life insurance expenses	315	(Not disclosed)	65	86	222
	Repair expenses	2,455	(Not disclosed)	935	276	1,782
	Depreciation (C)	28,533	(Not disclosed)	2,428	5,547	16,423
	Other lease business expenses	–	(Not disclosed)	–	–	–
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	114,908	(Not disclosed)	26,214	25,742	85,517
NOI (E) [(D) + (C)] (Thousands of yen)	143,442	64,637	28,643	31,289	101,941	
Capital expenditures (F) (Thousands of yen)	420	2,516	–	1,375	12,951	
NCF [(E) – (F)] (Thousands of yen)	143,022	62,121	28,643	29,914	88,989	
Reference information	Expense rate (%) [(B) ÷ (A)]	36.42	(Not disclosed)	33.44	42.75	37.82
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	24,622	12,460	6,819	7,649	21,655
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	157,360	60,548	59,380	82,871	133,611

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Region		Five Central Wards of Tokyo				
Property name		Daiwa Kandasudacho	Daiwa Sasazuka Tower	Daiwa Sasazuka	Daiwa Harumi	Daiwa Mita 2-Chome (Note 3)
Acquisition date		June 2018 and Nov. 2018	Oct. 2018	Dec. 2018	Feb. 2019	July 2019
Price information	Acquisition price (Millions of yen)	2,295	15,500	3,000	11,200	2,635
	Investment ratio (%)	0.5	3.4	0.6	2.4	0.6
	Carrying amount (Millions of yen)	2,404	15,914	3,216	11,084	1,561
	Estimated price at end of period (Millions of yen)	2,960	16,200	3,680	13,100	4,310
Leasing information	Total number of tenants (Note 1)	9	7	9	7	1
	Leasable floor area (m ²)	2,211.60	16,158.16	3,828.95	11,227.10	2,101.61
	Leased floor area (m ²)	2,211.60	16,158.16	3,828.95	11,227.10	2,101.61
	Occupancy rate (%)					
	End of May 2021	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2021	100.0	100.0	100.0	100.0	100.0
	End of May 2022	100.0	100.0	100.0	100.0	100.0
	End of Nov. 2022	100.0	100.0	100.0	100.0	100.0
End of May 2023	100.0	100.0	100.0	100.0	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	60,837	498,068	104,804	365,631	(Not disclosed)
	Rent revenue – real estate	60,837	498,068	104,804	365,631	(Not disclosed)
	Other lease business revenue	–	–	–	–	(Not disclosed)
	Total property leasing expenses (B) (Thousands of yen)	37,435	249,024	54,424	153,970	(Not disclosed)
	Consignment expenses	13,357	53,148	9,140	31,506	(Not disclosed)
	Utilities expenses	4,418	89,284	13,002	29,582	(Not disclosed)
	Taxes and dues	4,672	55,664	9,156	27,835	(Not disclosed)
	Non-life insurance expenses	105	1,170	215	664	(Not disclosed)
	Repair expenses	7,686	6,247	10,000	7,622	(Not disclosed)
	Depreciation (C)	7,194	43,510	12,909	36,333	(Not disclosed)
	Other lease business expenses	–	–	–	20,426	(Not disclosed)
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	23,401	249,043	50,379	211,660	(Not disclosed)
NOI (E) [(D) + (C)] (Thousands of yen)	30,595	292,553	63,288	247,994	66,156	
Capital expenditures (F) (Thousands of yen)	39,049	10,694	10,016	4,285	1,453	
NCF [(E) – (F)] (Thousands of yen)	(8,453)	281,859	53,272	243,708	64,702	
Reference information	Expense rate (%) [(B) ÷ (A)]	61.53	50.00	51.93	42.11	(Not disclosed)
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	9,798	114,769	18,826	57,904	19,124
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	93,890	718,270	129,490	253,020	5,360

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Region		Five Central Wards of Tokyo				Greater Tokyo
Property name		Nihonbashi Central Square	Daiwa Nihonbashi Bakurocho	Daiwa Kandabashi	Kandasudacho 2-Chome Development Site (land) (Note 5)	Daiwa Higashi-Ikebukuro
Acquisition date		May 2020	Land: Nov. 2020 Building: Nov. 2022	Sept. 2021	Dec. 2021	Oct. 2005
Price information	Acquisition price (Millions of yen)	3,521	5,733	1,970	10,600	2,958
	Investment ratio (%)	0.8	1.2	0.4	2.3	0.6
	Carrying amount (Millions of yen)	3,581	5,752	2,040	10,884	2,480
	Estimated price at end of period (Millions of yen)	3,940	6,940	2,110	12,000	4,330
Leasing information	Total number of tenants (Note 1)	10	4	12	–	8
	Leasable floor area (m ²)	1,837.05	3,677.63	1,224.00	–	4,462.28
	Leased floor area (m ²)	1,837.05	3,607.53	1,224.00	–	4,462.28
	Occupancy rate (%)					
	End of May 2021	100.0	–	–	–	100.0
	End of Nov. 2021	100.0	–	79.2	–	100.0
	End of May 2022	100.0	–	89.6	–	100.0
	End of Nov. 2022	85.6	87.4	100.0	–	89.7
End of May 2023	100.0	98.0	100.0	–	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	79,214	25,159	44,997	–	130,020
	Rent revenue – real estate	79,214	25,159	44,727	–	130,020
	Other lease business revenue	–	–	270	–	–
	Total property leasing expenses (B) (Thousands of yen)	29,697	48,479	19,862	–	70,120
	Consignment expenses	7,771	16,984	6,512	–	17,399
	Utilities expenses	6,024	2,567	3,081	–	17,653
	Taxes and dues	5,868	888	3,160	–	8,439
	Non-life insurance expenses	113	202	62	–	346
	Repair expenses	1,456	53	2,916	–	4,635
	Depreciation (C)	8,446	27,783	3,990	–	21,645
	Other lease business expenses	18	–	138	–	–
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	49,516	(23,319)	25,135	–	59,900
NOI (E) [(D) + (C)] (Thousands of yen)	57,963	4,464	29,125	–	81,545	
Capital expenditures (F) (Thousands of yen)	–	690	2,765	–	13,374	
NCF [(E) – (F)] (Thousands of yen)	57,963	3,774	26,360	–	68,171	
Reference information	Expense rate (%) [(B) ÷ (A)]	37.49	192.69	44.14	–	53.93
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	12,214	24,905	6,551	–	17,277
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	134,280	8,590	34,848	–	294,300

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Region		Greater Tokyo				
Property name		Daiwa Shinagawa North	Daiwa Kamiooka	Daiwa Ogikubo Tower	Daiwa Meguro Square	Daiwa Ogikubo
Acquisition date		July 2007	Mar. 2013	May 2014	May 2015	July 2016
Price information	Acquisition price (Millions of yen)	7,710	2,000	15,220	5,600	3,800
	Investment ratio (%)	1.7	0.4	3.3	1.2	0.8
	Carrying amount (Millions of yen)	6,862	1,739	15,800	5,319	3,954
	Estimated price at end of period (Millions of yen)	6,340	2,920	23,400	7,380	4,970
Leasing information	Total number of tenants (Note 1)	15	9	10	17	12
	Leasable floor area (m ²)	6,546.03	2,630.30	17,778.14	3,519.50	3,849.63
	Leased floor area (m ²)	6,546.03	2,630.30	17,778.14	3,403.99	3,849.63
	Occupancy rate (%)					
	End of May 2021	95.2	100.0	94.2	100.0	100.0
	End of Nov. 2021	95.2	100.0	94.2	94.1	100.0
	End of May 2022	95.2	100.0	100.0	100.0	100.0
End of Nov. 2022	100.0	100.0	100.0	100.0	100.0	
End of May 2023	100.0	100.0	100.0	96.7	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	204,747	93,805	675,299	156,029	127,551
	Rent revenue – real estate	204,747	93,805	675,299	156,029	127,551
	Other lease business revenue	–	–	–	–	–
	Total property leasing expenses (B) (Thousands of yen)	116,098	45,013	338,060	63,618	39,510
	Consignment expenses	17,257	5,721	55,830	14,475	10,092
	Utilities expenses	20,575	11,680	89,396	9,970	7,121
	Taxes and dues	19,166	6,415	44,467	14,065	8,414
	Non-life insurance expenses	512	178	1,306	256	225
	Repair expenses	24,881	2,629	13,960	1,087	1,407
	Depreciation (C)	33,705	18,387	132,919	23,763	12,248
	Other lease business expenses	–	–	180	–	–
Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	88,649	48,792	337,239	92,411	88,040	
NOI (E) [(D) + (C)] (Thousands of yen)	122,354	67,180	470,158	116,174	100,289	
Capital expenditures (F) (Thousands of yen)	389	1,087	2,810	1,926	5,363	
NCF [(E) – (F)] (Thousands of yen)	121,965	66,092	467,348	114,247	94,925	
Reference information	Expense rate (%) [(B) ÷ (A)]	56.70	47.99	50.06	40.77	30.98
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	39,243	13,229	90,129	29,167	17,554
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	441,710	110,832	575,795	122,800	121,620

Region		Greater Tokyo			Major Regional Cities
Property name		CONCURRED Yokohama	Daiwa Shinagawa Gotenyama	Daiwa Nakano- Sakaue	Daiwa Kitahama
Acquisition date		Jan. 2018	Sept. 2018	Dec. 2019	Aug. 2014
Price information	Acquisition price (Millions of yen)	38,100	2,500	2,750	9,481
	Investment ratio (%)	8.2	0.5	0.6	2.0
	Carrying amount (Millions of yen)	37,399	2,615	2,947	8,874
	Estimated price at end of period (Millions of yen)	41,700	2,890	2,680	13,600
Leasing information	Total number of tenants (Note 1)	37	6	6	7
	Leasable floor area (m ²)	28,052.98	2,396.96	2,716.92	13,517.62
	Leased floor area (m ²)	27,542.70	2,396.96	2,716.92	13,517.62
	Occupancy rate (%)				
	End of May 2021	99.0	100.0	100.0	100.0
	End of Nov. 2021	98.4	100.0	100.0	100.0
	End of May 2022	100.0	100.0	100.0	100.0
	End of Nov. 2022	100.0	100.0	100.0	100.0
End of May 2023	98.1	100.0	100.0	100.0	
Income (loss) information	Number of days of asset management	182	182	182	182
	Total property leasing revenue (A) (Thousands of yen)	1,064,892	81,989	76,213	405,808
	Rent revenue – real estate	1,064,892	79,594	76,213	405,808
	Other lease business revenue	–	2,395	–	–
	Total property leasing expenses (B) (Thousands of yen)	382,571	24,557	94,169	178,093
	Consignment expenses	60,394	4,678	13,596	30,185
	Utilities expenses	132,442	5,035	7,372	48,541
	Taxes and dues	59,304	5,657	7,253	35,288
	Non-life insurance expenses	786	134	182	900
	Repair expenses	9,674	3,047	54,834	4,551
	Depreciation (C)	119,684	6,004	10,918	58,572
	Other lease business expenses	285	–	12	53
	Operating income (loss) from property leasing (D) [(A) – (B)] (Thousands of yen)	682,321	57,431	(17,956)	227,715
	NOI (E) [(D) + (C)] (Thousands of yen)	802,005	63,436	(7,037)	286,288
Capital expenditures (F) (Thousands of yen)	40,535	6,704	5,758	65,003	
NCF [(E) – (F)] (Thousands of yen)	761,470	56,731	(12,795)	221,284	
Reference information	Expense rate (%) [(B) ÷ (A)]	35.93	29.95	123.56	43.89
	Annual amount of fixed property tax, etc. for fiscal 2023 (Thousands of yen)	120,150	11,809	14,873	73,920
	Estimated long-term repair expenses (Thousands of yen) (Note 2)	804,030	102,564	193,251	275,080

- (Note 1) Total number of tenants is the number of end tenants. When there is a tenant occupying multiple buildings, the concerned tenant is counted and stated for each individual building.
- (Note 2) Estimated long-term repair expenses are the total amount of repair expenses and renewal expenses estimated to arise over the 12-year period from the first year to the twelfth year as stated in the building investigation diagnosis report.
- (Note 3) Not disclosed for such reasons as consent was not obtained from major tenants to disclose the rent revenue, etc. for the property.
- (Note 4) Daiwa SHIBUYA EDGE was sold on December 21, 2022.
- (Note 5) For Kandasudacho 2-Chome Development Site (land), the plan is to develop an office building on the property.