

Statement of Financial Performance for the 38th Fiscal Period

From: June 1, 2024
To: November 30, 2024

大和証券オフィス投資法人

Daiwa Office Investment Corporation

Stock
Code **8976**

1. Management Status and Other Performance Highlights Data

Fiscal Period		38th Period	37th Period	36th Period	35th Period	34th Period
		From June 1, 2024 To Nov. 30, 2024	From Dec. 1, 2023 To May 31, 2024	From June 1, 2023 To Nov. 30, 2023	From Dec. 1, 2022 To May 31, 2023	From June 1, 2022 To Nov. 30, 2022
(1) Operating Performance		(Millions of yen, except per unit data or where otherwise indicated)				
Operating revenues		15,215	13,570	13,646	15,050	13,891
Rental revenues		13,993	13,562	13,604	13,503	13,836
Operating expenses		7,242	6,698	6,898	7,384	6,828
Property-related expenses		5,802	5,348	5,559	5,987	5,453
Operating income		7,973	6,871	6,747	7,665	7,062
Ordinary income		7,164	6,215	6,151	7,100	6,494
Net income		7,163	6,214	6,192	7,099	6,512
(2) Properties, etc. (as of end of period)						
Total assets		491,237	488,526	482,200	482,471	481,049
[period-on-period percentage changes]		[+0.6%]	[+1.3%]	[−0.1%]	[+0.3%]	[−0.5%]
Interest-bearing liabilities		219,400	214,400	207,800	207,800	205,800
Net assets		244,968	247,342	247,523	247,849	247,491
[period-on-period percentage changes]		[−1.0%]	[−0.1%]	[−0.1%]	[+0.1%]	[−1.2%]
Unitholders' capital, net	Note 1	235,094	238,093	238,093	238,093	238,093
(3) Distributions						
Total distribution amount		6,549	6,552	6,552	6,552	6,552
Dividend payout		91.4%	105.4%	105.8%	92.3%	100.6%
(4) Per Unit Information						
Total number of units issued (units)		946,439	478,258	478,258	478,258	478,258
Net assets per unit (yen)	Notes 2	258,831	258,587	517,551	518,232	517,484
Distribution per unit (yen)		6,920	13,700	13,700	13,700	13,700
Distribution amount from earnings per unit (yen)		6,920	13,700	13,700	13,700	13,700
Distribution amount in excess of earnings per unit (yen)		–	–	–	–	–
(5) Financial Indicators						
ROA	Notes 3 and 4	1.5%	1.3%	1.3%	1.5%	1.3%
[annual rate]		[2.9%]	[2.6%]	[2.5%]	[3.0%]	[2.7%]
ROE	Notes 4 and 5	2.9%	2.5%	2.5%	2.9%	2.6%
[annual rate]		[5.8%]	[5.0%]	[5.0%]	[5.7%]	[5.2%]
Capital ratio		49.9%	50.6%	51.3%	51.4%	51.4%
[period-on-period percentage changes]		[−0.8%]	[−0.7%]	[−0.0%]	[−0.1%]	[−0.4%]
LTV (loan to value)		44.7%	43.9%	43.1%	43.1%	42.8%
Property leasing cash flows (NOI)	Note 6	10,113	10,037	9,832	9,313	10,171
(6) Other Referential Information						
Number of investment properties		59	59	58	58	59
Number of tenants	Note 7	674	667	643	642	639
Total rentable area (m ²)		366,992.46	360,981.39	357,215.08	357,214.34	359,705.62
Occupancy rate	Note 8	97.7%	97.0%	97.7%	97.7%	97.4%
Depreciation		1,922	1,823	1,787	1,797	1,788
Capital expenditures		980	964	994	1,116	798

(Note 1) Unitholders' capital, net: Unitholders' capital – Deduction from Unitholders' Capital

(Note 2) The Investment Corporation conducted a 2-for-1 investment unit split with May 31, 2024, as the record date and June 1, 2024, as the effective date. Net income per unit is calculated based on the assumption that said investment unit split was conducted at the beginning of the 37th Fiscal Period.

(Note 3) ROA: Ordinary income ÷ [(Total assets at beginning of period + Total assets at end of period) ÷ 2] × 100

(Note 4) Figures for the 34th Fiscal Period are the annualized figures calculated based on 183 days of management.
 Figures for the 35th Fiscal Period are the annualized figures calculated based on 182 days of management.
 Figures for the 36th Fiscal Period are the annualized figures calculated based on 183 days of management.
 Figures for the 37th Fiscal Period are the annualized figures calculated based on 183 days of management.
 Figures for the 38th Fiscal Period are the annualized figures calculated based on 183 days of management.

(Note 5) ROE: Net income ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(Note 6) Property leasing cash flows (NOI): Rental revenues – Property-related expenses + Depreciation

(Note 7) 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 8) Occupancy rate: Total leased area ÷ Total rentable area

2. Developments in Asset Management in the Fiscal Period under Review

(1) Brief History of the Investment Corporation

Daiwa Office Investment Corporation (the former DA Office Investment Corporation; hereinafter referred to as “DOI”) 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, DOI 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 470,653 million yen as of the last day of November 2024.

DOI 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.

(2) Investment Environment and Management Performance

(A) Investment Environment

The Japanese economy during the fiscal period under review grew and the real GDP growth rate (Second Preliminary Estimates) for July to September 2024 sat at an annual rate of +1.2%, registering positive growth for two consecutive quarters. While a restrained demand for services was observed due to concerns about a large-scale earthquake disaster, continued recovery of consumer spending against the backdrop of improved income conditions due to large wage increases from the spring wage negotiations and increased summer bonuses contributed to overall positive growth.

In the office building leasing market in central Tokyo, the average vacancy rate fell to about the 4% range in August 2024, last observed in January 2021, and was 4.16% as of the end of November 2024 (Miki Shoji’s average vacancy rate for the five central wards of Tokyo). Corporate demand for office space continues to be on the rise such as floor expansion within the same building due to business expansion and relocation for improving office environment to secure human resources. Rent levels have also entered a recovery phase due to a declining vacancy rate.

On the other hand, in the office building transaction market, the property acquisition appetite among domestic and overseas investors is expected to remain strong despite no major changes in the financing environment following the Bank of Japan’s monetary policy change. Nevertheless, future developments warrant close monitoring.

(B) Management Performance

During the fiscal period under review, 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, DOI 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, with respect to the Kandasudacho 2-Chome Development Project, for which land for development was acquired in December 2021, DOI completed the development project in June 2024 and acquired the completed building, Daiwa Akihabara. As for Daiwa Tsukishima, it was decided that divestment of the property would occur over three fiscal periods (the 38th Fiscal Period, the 39th Fiscal Period (ending May 2025), and the 40th Fiscal Period (ending November 2025)), and a divestment of 40% quasi co-ownership interest pertaining to trust beneficiary interest was conducted in November 2024. As a result, DOI’s assets under management as of the end of the 38th Fiscal Period (November 30, 2024) totaled 59 properties, the sum total of acquisition prices of which amounted to 470,653 million yen.

Concerning internal growth, DOI 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 38th Fiscal Period (November 30, 2024) was 97.7%.

(3) Overview of Capital Procurement

(A) Procurement of Capital for Acquisition of New Properties, Repayment of Borrowings, and Redemption of Investment Corporation Bonds

In the 38th Fiscal Period, DOI conducted the following borrowing activities and issuance of investment corporation bonds to fund the acquisition of new properties, repayment of borrowings, and redemption of investment corporation bonds.

- (i) DOI took out loans totaling 4,500 million yen on July 31, 2024, from Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, and SBI Shinsei Bank, Limited to fund the acquisition of Daiwa Akihabara which was newly acquired on June 28, 2024.
- (ii) DOI implemented the issuance of the Ninth Series Unsecured Investment Corporation Bonds (2,200 million yen) and Tenth Series Unsecured Investment Corporation Bonds (1,600 million yen) on August 19, 2024, to fund the redemption of the Fourth Series Unsecured Investment Corporation Bonds (2,100 million yen) and Fifth Series Unsecured Investment Corporation Bonds (1,700 million yen) due for redemption on September 12, 2024.
- (iii) DOI took out loans totaling 6,000 million yen from Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Aozora Bank, Ltd., and Daishi Hokuetsu Bank, Ltd. on August 30, 2024, and allocated them as described below.
 - Funds for the prepayment of loans totaling 5,500 million yen from Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. due for repayment on the same day.
 - Funds for the acquisition of Daiwa Akihabara newly acquired on June 28, 2024.
- (iv) DOI took out a loan of 1,000 million yen from Sumitomo Mitsui Trust Bank, Limited on September 30, 2024, to fund the repayment of the same amount borrowed from the same bank due for repayment on the same day.
- (v) DOI took out loans totaling 8,300 million yen from Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan Inc., and SBI Shinsei Bank, Limited on November 29, 2024, to fund repayment of the same amount borrowed from the same three banks due for repayment on the same day.

(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 38th Fiscal Period (November 30, 2024) stood at 219,400 million yen in total (long-term loans payable: 210,400 million yen; investment corporation bonds: 9,000 million yen). The balance of the current portion of long-term loans payable stood at 23,000 million yen, and that of current portion of investment corporation bonds stood at 1,500 million yen.

The average remaining period of interest-bearing liabilities as of the end of the 38th Fiscal Period stands at 4.4 years.

(4) Capital Expenditures during the 38th Fiscal Period

The following summarizes the primary construction work that constitutes capital expenditures implemented during the 38th Fiscal Period for existing portfolio properties. Capital expenditures for the 38th Fiscal Period amounted to 980 million yen and, when combined with the 309 million yen in repair expenses charged to the 38th Fiscal Period expenses, totals 1,289 million yen in construction work implemented.

Name of real estate properties (Location)	Purpose	Period	Construction amount paid (Millions of yen)
Daiwa Akihabara (Chiyoda-ku, Tokyo)	Tenant move-in construction	From: Aug. 2024 To: Oct. 2024	65
Daiwa Akihabara (Chiyoda-ku, Tokyo)	Tenant move-in construction	From: Aug. 2024 To: Nov. 2024	61
Daiwa River Gate (Chuo-ku, Tokyo)	Renovation of elevators	From: June 2024 To: Aug. 2024	49
Other			804
Total			980

(5) Overview of Financial Performance and Distributions

As a result of the management described above, DOI posted financial performance for the 38th Fiscal Period of 15,215 million yen in operating revenue, 7,973 million yen in operating income, 7,164 million yen in ordinary income and 7,163 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, DOI decided to retain 614,429,128 yen as internal reserve for reduction entry with the application of the system of "Special Provisions for Taxation in Cases of Replacement of Specified Assets" and distribute the entire amount after deducting provision of reserve for reduction entry from unappropriated retained earnings, and declared a distribution amount per unit of 6,920 yen.

3. Outlook for the Next Fiscal Period

(1) Investment Environment

The Japanese economy going forward is expected to see a continued moderate recovery, supported by movements such as improvement in income conditions, as well as increased demand from inbound tourism. On the other hand, attention should continue to be paid to downside risks of overseas economies, such as monetary policy trends among central banks around the world and the impact of incoming President Trump's government policies, while the impact of rising prices, situations in the Middle East and Ukraine, fluctuation in the financial and capital markets and other factors should be monitored.

In the central Tokyo office building leasing market, corporate demand for office space continues to be on the rise such as floor expansion within the same building due to business expansion and relocation for improving office environment to secure human resources. Rent levels have also entered a recovery phase due to a declining vacancy rate. However, the impact of a new supply of large-scale office buildings in central Tokyo expected in 2025 continues to warrant close monitoring.

In the office building transaction market, the property acquisition appetite among domestic and overseas investors is expected to remain strong against the backdrop of expectation for improvement of wages despite no major changes in the financing environment following the Bank of Japan's monetary policy change. However, we will need to monitor how the market develops alongside changes in the socioeconomic situation as well as domestic and overseas fiscal policies.

(2) Future Management Policy and Tasks

(A) Strategy for Managing Existing Properties

As to macro trends for the office market, although there has been an emergence of positive corporate demand for relocation and the recovery trend has become clear, areas which have location issues are failing to show significant improvement, and companies are becoming increasingly selective about office space. Although DOI has been steadily acquiring solid new demand mainly from small and medium-sized companies, it is striving to maintain and raise occupancy rates by assessing the market environment in each area. Given that office needs are likely to change by company as work-style and workplace diversify, DOI 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

DOI 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 DOI 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, DOI 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 38th Fiscal Period, with respect to the Kandasudacho 2-Chome Development Project, for which land for development was acquired in December 2021, DOI completed the development project and acquired the completed building, Daiwa Akihabara.

Moreover, to acquire properties in favorable locations and in relatively new buildings and to improve medium- to long-term profitability, DOI is engaged in efforts to acquire land in central Tokyo, develop new office buildings, and acquire properties in accordance with the above investment strategy.

(C) Financial Strategy

DOI 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.

(D) Schedule of Capital Expenditures for the 39th Fiscal Period

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	Expected construction amount (Millions of yen)		
			Total amount	Amount paid during current period	Total amount already paid
Daiwa River Gate (Chuo-ku, Tokyo)	Upgrading of AHU motors	From: Dec. 2024 To: May 2025	163	–	–
Daiwa Shinagawa North (Shinagawa-ku, Tokyo)	Renovation of elevators	From: Dec. 2024 To: May 2025	134	–	–
Daiwa River Gate (Chuo-ku, Tokyo)	Renovation of elevators	From: Dec. 2024 To: May 2025	117	–	–
Daiwa Hatchobori ekimae (Chuo-ku, Tokyo)	Upgrading of packaged-air conditioning equipment	From: Dec. 2024 To: May 2025	101	–	–
Daiwa Meguro Square (Meguro-ku, Tokyo)	Repair of exterior walls	From: Dec. 2024 To: May 2025	79	–	–

II. Balance Sheets

As of November 30, 2024 and May 31, 2024

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Assets		
Current Assets:		
Cash and cash equivalents (Note 3)	33,305,628	28,826,765
Tenant receivables	110,605	112,837
Consumption taxes receivable	131,361	38,028
Prepaid expenses	427,352	405,450
Other current assets	121,999	79,395
Total Current Assets	34,096,946	29,462,477
Investment Properties, at cost (Notes 5 and 6):		
Land	12,302,226	12,302,226
Buildings and structures	3,664,036	3,663,816
Tools, furniture and fixtures	23,002	22,546
Construction in progress	220	–
Land in trust accounts (Note 15)	358,005,190	359,705,136
Buildings and structures in trust accounts (Notes 14 and 15)	119,063,649	114,986,482
Machinery and equipment in trust accounts	1,283,992	1,106,380
Tools, furniture and fixtures in trust accounts	533,200	491,798
Construction in progress in trust accounts	42,111	3,568,041
Less: accumulated depreciation	(42,745,022)	(41,720,223)
Leasehold rights	2,398,275	2,398,275
Leasehold rights in trust accounts	306,884	306,884
Total Investment Properties, net	454,877,767	456,831,365
Investments and Other Assets:		
Lease and guarantee deposits in trust accounts	113,684	113,684
Long-term prepaid expenses	1,372,952	1,359,733
Derivative assets (Note 4)	593,220	605,649
Deferred investment corporation bond issuance costs	48,589	24,260
Others	134,590	129,326
Total Investments and Other Assets	2,263,037	2,232,655
Total Assets	491,237,752	488,526,498

The accompanying notes are an integral part of these financial statements.

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Liabilities		
Current Liabilities:		
Accounts payable	916,094	1,458,941
Investment corporation bonds due within one year (Notes 4 and 11)	1,500,000	3,800,000
Long-term debt due within one year (Notes 4 and 11)	23,000,000	30,800,000
Accounts payable – other	665,839	552,096
Income taxes payable	854	880
Accrued consumption taxes	110,136	139,720
Rent received in advance	2,314,452	2,287,235
Other current liabilities	629,523	834,330
Total Current Liabilities	29,136,900	39,873,204
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 11)	7,500,000	5,200,000
Long-term debt (Notes 4 and 11)	187,400,000	174,600,000
Tenant security deposits including trust accounts (Note 4)	22,029,598	21,298,291
Deferred tax liabilities (Note 16)	202,752	196,447
Derivative liabilities	–	15,681
Total Long-Term Liabilities	217,132,351	201,310,419
Total Liabilities	246,269,252	241,183,624
Net Assets (Notes 9 and 17)		
Unitholders' Equity:		
Unitholders' capital	251,551,759	251,551,759
Units authorized: 4,000,000 units (*)		
Units issued and outstanding: 946,439 units as of November 30, 2024 and 956,516 units as of May 31, 2024 (*)		
Deduction from unitholders' capital	(16,457,533)	(13,457,770)
Unitholders' capital, net	235,094,225	238,093,989
Reserve for reduction entry	2,268,733	2,606,668
Retained earnings	7,163,787	6,214,200
Total Unitholders' Equity	244,526,746	246,914,857
Valuation and translation adjustments		
Deferred gains or losses on hedges	441,753	428,016
Total valuation and translation adjustments	441,753	428,016
Total Net Assets	244,968,500	247,342,874
Total Liabilities and Net Assets	491,237,752	488,526,498

The accompanying notes are an integral part of these financial statements.

(*) DOI implemented a 2 for 1 split of its investment units with a record date of May 31, 2024 and an effective date of June 1, 2024. Units authorized and units issued and outstanding are calculated assuming the split has been executed as of December 1, 2023.

III. Statements of Income and Retained Earnings

For the fiscal periods ended November 30, 2024 and May 31, 2024

(Thousands of yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Operating Revenues (Note 7):		
Rental revenues (Note 8)	13,993,119	13,562,061
Other revenues related to property leasing (Note 8)	18,474	8,481
Gain on sale of investment properties (Note 13)	1,204,303	–
Total Operating Revenues	15,215,897	13,570,542
Operating Expenses:		
Property-related expenses (Note 8)	5,802,404	5,348,011
Asset management fees	1,180,393	1,119,555
Asset custody fees	24,465	24,164
Administrative service fees	80,881	72,649
Trust fees	18,321	17,821
Directors' compensation	7,200	7,200
Other operating expenses	128,897	109,544
Total Operating Expenses	7,242,565	6,698,948
Operating Income	7,973,332	6,871,594
Non-Operating Revenues:		
Interest income	471	40
Reversal of distribution payable	681	514
Insurance income	5,074	3,156
Other non-operating revenues	43	0
Total Non-Operating Revenues	6,270	3,711
Non-Operating Expenses:		
Interest expense	610,166	454,546
Interest expense on investment corporation bonds	32,512	26,328
Borrowing expenses	154,927	167,302
Other non-operating expenses	17,326	12,046
Total Non-Operating Expenses	814,933	660,223
Ordinary Income	7,164,668	6,215,082
Income Before Income Taxes	7,164,668	6,215,082
Income taxes – current	881	881
Total Income Taxes (Note 16)	881	881
Net Income	7,163,787	6,214,200
Retained Earnings Brought Forward	–	–
Retained Earnings at End of Period	7,163,787	6,214,200

The accompanying notes are an integral part of these financial statements.

IV. Statements of Changes in Net Assets

For the fiscal periods ended November 30, 2024 and May 31, 2024

(Thousands of yen)

	Number of Units (*) (Units)	Unitholders' Equity					Retained Earnings	Treasury Investment Units	Deferred Gains or Losses on Hedges	Total Net Assets
		Unitholders' Capital	Deduction from Unitholders' Capital	Unitholders' Capital, net	Reserve for Reduction Entry					
Balance as of November 30, 2023	956,516	251,551,759	(13,457,770)	238,093,989	2,966,633	6,192,169	–	270,361	247,523,153	
Cash distributions declared	–	–	–	–	–	(6,552,134)	–	–	(6,552,134)	
Net income	–	–	–	–	–	6,214,200	–	–	6,214,200	
Reversal of reserve for reduction entry	–	–	–	–	(359,965)	359,965	–	–	–	
Net changes of items other than unitholders' equity	–	–	–	–	–	–	–	157,655	157,655	
Balance as of May 31, 2024	956,516	251,551,759	(13,457,770)	238,093,989	2,606,668	6,214,200	–	428,016	247,342,874	
Cash distributions declared	–	–	–	–	–	(6,552,134)	–	–	(6,552,134)	
Net income	–	–	–	–	–	7,163,787	–	–	7,163,787	
Reversal of reserve for reduction entry	–	–	–	–	(337,934)	337,934	–	–	–	
Acquisition of treasury investment units	–	–	–	–	–	–	(2,999,763)	–	(2,999,763)	
Cancellation of treasury investment units (Note 10)	(10,077)	–	(2,999,763)	(2,999,763)	–	–	2,999,763	–	–	
Net changes of items other than unitholders' equity	–	–	–	–	–	–	–	13,737	13,737	
Balance as of November 30, 2024	946,439	251,551,759	(16,457,533)	235,094,225	2,268,733	7,163,787	–	441,753	244,968,500	

The accompanying notes are an integral part of these financial statements.

(*) DOI implemented a 2 for 1 split of its investment units with a record date of May 31, 2024 and an effective date of June 1, 2024. The number of units are calculated assuming the split has been executed as of December 1, 2023.

V. Statements of Cash Flows

For the fiscal periods ended November 30, 2024 and May 31, 2024

(Thousands of yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Cash Flows from Operating Activities:		
Income before income taxes	7,164,668	6,215,082
Depreciation and amortization	1,924,770	1,825,232
Amortization of bond issuance costs	5,310	5,030
Interest expense	642,678	480,874
Decrease (increase) in tenant receivables	2,232	(16,843)
(Decrease) increase in accounts payable	(446,884)	279,042
Increase (decrease) in rent received in advance	27,217	(20,295)
Interest payments	(631,877)	(480,674)
Decrease in accrued consumption taxes	(29,584)	(137,409)
Increase in consumption taxes receivable	(93,333)	(38,028)
Decrease due to sale of investment properties in trust accounts	2,502,161	–
Other, net	(223,312)	89,573
Net Cash Provided by Operating Activities	10,844,048	8,201,585
Cash Flows from Investing Activities:		
Payments for purchases of investment properties including trust accounts	(2,512,926)	(8,866,494)
Payments for purchases of intangible assets	(3,530)	–
Proceeds from tenant security deposits including trust accounts	961,604	1,330,445
Refunds of tenant security deposits including trust accounts	(230,296)	(1,591,493)
Net Cash Used in Investing Activities	(1,785,148)	(9,127,542)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	–	1,000,000
Repayments of short-term debt	–	(1,500,000)
Proceeds from long-term debt	19,800,000	19,500,000
Repayments of long-term debt	(14,800,000)	(12,400,000)
Proceeds from issuance of investment corporation bonds	3,770,360	–
Redemption of investment corporation bonds	(3,800,000)	–
Payments for acquisition of treasury investment units	(2,999,763)	–
Distributions paid	(6,550,633)	(6,552,649)
Net Cash (Used in) Provided by Financing Activities	(4,580,036)	47,350
Net Change in Cash and Cash Equivalents	4,478,863	(878,606)
Cash and Cash Equivalents at Beginning of Period	28,826,765	29,705,371
Cash and Cash Equivalents at End of Period (Note 3)	33,305,628	28,826,765

The accompanying notes are an integral part of these financial statements.

For the fiscal periods ended November 30, 2024 and May 31, 2024

Note 1 – Organization and Basis of Presentation

Organization

Daiwa Office Investment Corporation (the former DA Office Investment Corporation; hereinafter referred to as “DOI”) was established on July 11, 2005 as an investment corporation under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions, hereinafter referred to as the “Investment Trust Act”) by the founder (the former daVinci Select; now, Daiwa Real Estate Asset Management (hereinafter referred to as the “Asset Manager”)).

DOI is an externally managed real estate fund, established as an investment corporation. The Asset Manager, as DOI’s asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. Daiwa Securities Group Inc. currently owns 100% of the shares of the Asset Manager.

On October 18, 2005, DOI had raised approximately 49,498,710 thousand yen through an initial public offering of units. Those units were listed on the J-REIT section of the Tokyo Stock Exchange. DOI implemented a 2 for 1 split of its investment units with a record date of May 31, 2024 and an effective date of June 1, 2024.

As of November 30, 2024, DOI had ownership or trust beneficiary interests in 59 office properties with approximately 366,992.46 m² of rentable office space and had leased office space to 674 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.7 %.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Act, the Financial Instruments and Exchange Act and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements have been reformatted and translated into English from the financial statements of DOI prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing the accompanying financial statements, relevant notes have been expanded and certain reclassifications have been made from the Japanese GAAP financial statements. Certain supplementary information included in the statutory Japanese GAAP financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. Certain reclassifications have been made to the prior period’s financial statements to conform to the presentation for the current period.

DOI maintains its accounting records in Japanese yen. Amounts less than 1 thousand yen have been rounded down. As a result, the total shown in the financial statements and notes does not necessarily agree to sum of individual account balances..

DOI’s fiscal period is a six-month period ending at the end of May and November of each year.

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of acquisition.

(b) Investment Properties

Investment properties are recorded at cost, which includes the allocated purchase price, related costs and expenses for acquisition of the office properties and the trust beneficiary interests in trust. Investment property balances are depreciated using the straight-line method over the estimated useful lives as follows:

	As of November 30, 2024	As of May 31, 2024
Buildings and structures	5-64 years	5-64 years
Machinery and equipment	10-23 years	10-23 years
Tools, furniture and fixtures	3-15 years	4-15 years

Cost related to the renovation, construction improvement of properties is capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of property, are expensed as incurred.

(c) Deferred Investment Corporation Bond Issuance Costs

Deferred investment corporation bond issuance costs are amortized on a straight-line basis over the respective terms of the bonds.

(d) Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory rate.

(e) Real Estate Taxes

Investment properties are subject to various taxes, such as property taxes and city planning taxes. Owners of the properties are registered by records maintained in each jurisdiction by the local government. The taxes are imposed on the registered record owner as of January 1 of each year, based on an assessment made by the local government.

When a property is purchased within the calendar year, the taxes for the corresponding calendar year are imposed on the seller. DOI pays the seller the corresponding amount of the taxes for the period from property acquisition date to December 31 of the calendar year and capitalizes these amounts as acquisition costs of the property, rather than expensing them. In subsequent calendar years, such taxes on investment properties are charged as operating expenses in each fiscal period.

The following is a summary of capitalized real estate taxes.

(Thousands of yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Capitalized real estate taxes	9,964	8,171

(f) Consumption Taxes

Non-deductible consumption taxes relating to investment properties are amortized equally over five years.

(g) Hedge Accounting

DOI enters into derivative transactions for the purpose of hedging risks in the Articles of Incorporation of DOI in accordance with its general risk management policy. DOI uses interest-rate swaps as hedging instruments in order to hedge the risk of interest rate fluctuations related to borrowings. Pursuant to Japanese GAAP, DOI applies the special accounting treatment to interest-rate swaps which qualify for hedge

accounting and meet specific criteria. Under the special accounting treatment, the related differentials paid or received under such swap contracts can be recognized and included in interest expense or income of the hedged assets or liabilities, and the interest-rate swaps are not required to be measured at fair value separately. The assessment of hedge effectiveness has been made each fiscal period except for interest-rate swaps which meet the special criteria.

(h) Revenue Recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues such as utility charge reimbursements, parking space rental revenues and other income.

Major contents of performance obligations relating to revenue arising from contracts with DOI's customers and general timing of satisfying such performance obligations (general timing of revenue recognition) are as follows:

(1) Sales of Investment Properties

Revenue is recognized at the time when a purchaser of the investment property as a customer obtains control over the investment property by satisfying delivery obligation as described in a contract regarding the sale of the investment property.

(2) Utility Charge Revenue

Utility charge revenue is recognized depending on the volume of supply of electricity, water and others to a tenant as a customer based on the lease agreement of the related property and contents of ancillary agreements. For utility charge revenue for which DOI is determined to be an agent, the net amount is recognized as revenue, which is calculated by deducting the amount payable to other parties from utility charges received by DOI for electricity, water and others supplied by those parties.

(i) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the accompanying financial statements.

(j) Accounting Estimates

Impairment of long-lived assets

Amounts of investment properties recorded on the financial statements as of November 30, 2024 and May 31, 2024 were as follows:

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Tangible fixed assets	452,172,607	454,126,205
Intangible fixed assets	2,705,160	2,705,160

DOI reviews investment properties for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable in conformity with the accounting standard for impairment of long-lived assets. The book value of investment properties has been reduced to its recoverable amount when the invested amount may not be recoverable due to decrease in profitability.

DOI's investment properties are grouped on an individual asset basis. DOI reviews the investment properties for impairment when factors such as consecutive operating losses, significant decline in the market price, deteriorated business environment and others related to investment properties indicate the carrying amount of an asset may not be recoverable.

An impairment loss is recognized if the carrying amount of an asset exceeds the sum of the undiscounted future cash flows expected from the asset. In such a case, the book value of the asset is reduced to the respective recoverable amount and the difference between the book value and recoverable amount is recorded as an impairment loss.

Future cash flows used in determining recoverable amounts are measured by comprehensive judgement on estimates based on market trends on rental revenues, occupancy rates, rental expenses and other factors as well as transaction information of similar properties.

Operating results and market prices of each investment property may be affected by trends in the property leasing market and property trading market. It is possible to have an impact on DOI's financial position and results of operations in the next fiscal period if assumptions used in estimates change.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents stated on the accompanying balance sheets and statements of cash flows as of November 30, 2024 and May 31, 2024 consisted of the following:

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Cash and deposits	29,401,527	24,965,028
Cash and deposits in trust accounts	3,904,100	3,861,736
Cash and cash equivalents	33,305,628	28,826,765

Note 4 – Financial Instruments

(a) Qualitative Information for Financial Instruments

Policy for Financial Instrument Transactions

DOI raises funds through borrowings, issuance of investment corporation bonds and issuance of investment units for acquisition and renovation of investment properties, cash distributions of dividends and repayment of bank borrowings. In financing through interest-bearing debt, DOI raises funds with longer term, fixed-rate and well-diversified maturities and utilizes commitment lines to secure stable financing capacity and avoid potential risk of rising interest rates.

Surplus funds are managed considering risk and liquidity, by investing in highly liquid monetary assets and securities (in principle, deposits).

DOI enters into derivative transactions only for the purpose of hedging interest rate risks arising from liabilities.

Nature and Extent of Risks arising from Financial Instruments and Risk Management

Proceeds from borrowings and investment corporation bonds are used mainly to acquire investment properties and repay or redeem outstanding borrowings and bonds. These borrowings and bonds are exposed to liquidity risk. Such risk is managed in ways such as maintaining the LTV ratio at low levels, diversifying maturities, keeping the ratio of long-term debt to total debt at high levels, and diversifying lenders. For the floating-rate borrowings exposed to the risk of future interest rate fluctuations, DOI uses derivative transactions (interest-rate swap) as hedging instruments, in order to avoid interest rate fluctuations and to fix the amount of interest payments for floating-rate borrowings.

DOI evaluates the effectiveness of hedges 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. The assessment of hedge effectiveness is omitted for the interest-rate swaps which meet the specific criteria under the special accounting treatment.

Derivative transactions are executed and monitored in compliance with the rules and procedures set forth in the risk management policy of DOI.

Tenant security deposits including trust accounts are exposed to liquidity risk arising from refunding deposits in the event of vacating of properties by tenants. Such risk is managed by reserving some parts of the funds.

Bank deposits are used for investing DOI's surplus funds. These bank deposits are exposed to credit risks such as bankruptcy of the depository financial institutions. DOI manages credit risk by investing only in short-term deposit and setting a minimum credit rating requirement for the depository financial institutions (excluding deposits for settlement purposes).

Supplemental Explanation regarding Fair Value of Financial Instruments

Since certain assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different value. Also, the contractual amounts of derivative transactions do not represent the market risk involved in these derivative transactions.

(b) Estimated Fair Value of Financial Instruments

The book value, fair value and difference between the two as of November 30, 2024 and May 31, 2024 were as follows. Cash and cash equivalents are not disclosed because the book values of these assets are deemed reasonable approximations of the fair values as they are cash or with short maturities.

(Thousands of yen)

Liabilities	As of November 30, 2024			As of May 31, 2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment corporation bonds due within one year	1,500,000	1,492,950	(7,050)	3,800,000	3,800,610	610
Long-term debt due within one year	23,000,000	22,983,295	(16,704)	30,800,000	30,779,533	(20,466)
Investment corporation bonds	7,500,000	7,277,530	(222,470)	5,200,000	5,014,400	(185,600)
Long-term debt	187,400,000	186,081,592	(1,318,407)	174,600,000	173,269,744	(1,330,255)
Total	219,400,000	217,835,368	(1,564,631)	214,400,000	212,864,288	(1,535,711)
Derivative transactions (*)	644,519	644,519	–	624,476	624,476	–

(*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parenthesis indicating the net liability position.

Notes:

1. Methods to estimate fair value of financial instruments and derivative transactions

Liabilities:

(1) Investment corporation bonds due within one year and investment corporation bonds

The fair value of investment corporation bonds is based on their quoted market price.

(2) Long-term debt due within one year and long-term debt

For long-term debt with floating interest rates, their fair value and book value are nearly identical and there are no significant changes in DOI's credit risk after borrowing. Therefore, for these items, their book value is assumed as their fair value. For long-term debt with fixed interest rates, their fair value is calculated based on the present value of principle and interest cash flows discounted at the current interest rate which is estimated to be applied if similar new debt is entered into. However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps is calculated based on the present value of principle and interest cash flows which are processed as a single unit with the interest-rate swap.

Derivative Transactions:

The Company applies the hedge accounting for all derivative transactions. Contractual amount and fair value were as follows:

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Hedged item	As of November 30, 2024		
			Contracted amount		Fair value (*1)
			Total	Due after one year	
Deferral hedge accounting method	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	46,700,000	31,200,000	644,519
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	28,000,000	28,000,000	– (*2)
			74,700,000	59,200,000	644,519

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Hedged item	As of May 31, 2024		
			Contracted amount		Fair value (*1)
			Total	Due after one year	
Deferral hedge accounting method	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	57,500,000	37,700,000	624,476
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	28,000,000	28,000,000	– (*2)
			85,500,000	65,700,000	624,476

(*1) The fair value is provided by financial institutions.

(*2) Fair values of interest-rate swaps with the special treatment are included in fair values of related long-term debt as the interest-rate swaps are processed as a single unit with the hedged long-term debt.

2. Tenant security deposits including trust accounts (whose book values were 22,029,598 thousand yen and 21,298,291 thousand yen as of November 30, 2024 and May 31, 2024, respectively) that have been deposited by tenants were excluded from the scope of fair value disclosure because they are immaterial.

3. Redemption schedule for investment corporation bonds and long-term debt

(Thousands of yen)

As of November 30, 2024	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	1,500,000	–	–	–	2,200,000	5,300,000
Long-term debt	23,000,000	22,400,000	27,600,000	26,200,000	29,050,000	82,150,000
Total	24,500,000	22,400,000	27,600,000	26,200,000	31,250,000	87,450,000

(Thousands of yen)

As of May 31, 2024	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	3,800,000	1,500,000	–	–	–	3,700,000
Long-term debt	30,800,000	20,700,000	20,200,000	31,600,000	20,200,000	81,900,000
Total	34,600,000	22,200,000	20,200,000	31,600,000	20,200,000	85,600,000

Note 5 – Tangible Fixed Assets of Investment Properties

Investment properties as of November 30, 2024 and May 31, 2024 consisted of the following:

(Thousands of yen)

	As of November 30, 2024			As of May 31, 2024		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	12,302,226	–	12,302,226	12,302,226	–	12,302,226
Buildings and structures	3,664,036	(3,039,047)	624,989	3,663,816	(2,994,150)	669,666
Tools, furniture and fixtures	23,002	(20,993)	2,008	22,546	(20,429)	2,116
Construction in progress	220	–	220	–	–	–
Land in trust accounts	358,005,190	–	358,005,190	359,705,136	–	359,705,136
Buildings and structures in trust accounts	119,063,649	(38,665,996)	80,397,653	114,986,482	(37,751,708)	77,234,773
Machinery and equipment in trust accounts	1,283,992	(697,663)	586,328	1,106,380	(652,321)	454,059
Tools, furniture and fixtures in trust accounts	533,200	(321,321)	211,878	491,798	(301,614)	190,183
Construction in progress in trust accounts	42,111	–	42,111	3,568,041	–	3,568,041
Total	494,917,629	(42,745,022)	452,172,607	495,846,429	(41,720,223)	454,126,205

Note 6 – Fair Value of Investment and Rental Properties

The book value, net changes in the book value and the fair value of the investment and rental properties were as follows:

(Thousands of yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Book value: (Note 1)		
Balance at beginning of period	453,263,324	447,535,958
Change during the period (Note 2)	1,572,111	5,727,365
Balance at end of period	454,835,435	453,263,324
Fair value (Note 3)	598,630,000	594,750,000

(Note 1) The book value represents the acquisition cost less accumulated depreciation.

(Note 2) Significant changes

For the fiscal period ended November 30, 2024, the major reason for the increase is acquisition of "Daiwa Akihabara (4,903 million yen). The major reason for the decrease is disposition of "Daiwa Tsukishima" (40% quasi co-ownership interest)" (2,502 million yen) and depreciation (1,922 million yen). For the fiscal period ended May 31, 2024, the major reason for the increase is acquisition of "S-GATE FIT Nihonbashi Bakurocho" (6,300 million yen). The major reason for the decrease is depreciation (1,823 million yen).

(Note 3) The fair values as of November 30, 2024 and May 31, 2024 were determined by the sum of appraisal values provided by external real estate appraisers.

Note 7 – Revenue Recognition

Information on breakdown of revenues arising from contracts with customers for the fiscal periods ended November 30, 2024 and May 31, 2024 was as follows:

(Thousands of yen)

	For the fiscal period ended November 30, 2024	
	Revenues arising from contracts with customers (Note 1)	Sales to external customers
Sales of investment properties (Note 2)	3,920,000	1,204,303
Utility charge revenues	1,068,716	1,068,716
Other	–	12,942,876
Total	4,988,716	15,215,897

(Note 1) Rental revenues and other revenues relating to property leasing for which “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is applied are not included in revenues arising from contracts with customers because the Accounting Standard for Revenue Recognition is not applied to such revenues. Major revenues arising from contracts with customers are sales of investment properties and utility charge revenues.

(Note 2) Sales of investment properties are presented in the net amount by deducting the cost of selling investment properties and other expenses related to the sales from the proceeds from the sales of investment properties in order to present gain/loss on the sales of investment properties on the statements of income and retained earnings in accordance with Article 48, paragraph (2) of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Order No. 47 of 2006).

(Thousands of yen)

	For the fiscal period ended May 31, 2024	
	Revenues arising from contracts with customers (Note)	Sales to external customers
Sales of investment properties	–	–
Utility charge revenues	892,940	892,940
Other	–	12,677,602
Total	892,940	13,570,542

(Note) Rental revenues and other revenues relating to property leasing for which “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is applied are not included in revenues arising from contracts with customers because the Accounting Standard for Revenue Recognition is not applied to such revenues. Major revenues arising from contracts with customers are sales of investment properties and utility charge revenues.

Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the fiscal periods ended November 30, 2024 and May 31, 2024 were as follows:

(Thousands of yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Revenues from property leasing:		
Rental revenues	13,993,119	13,562,061
Other revenues related to property leasing	18,474	8,481
Total revenues from property leasing	14,011,593	13,570,542
Rental expenses:		
Consignment expenses	1,044,734	1,061,359
Utilities expenses	1,168,620	1,000,803
Taxes and dues	1,250,987	1,205,932
Insurance expenses	26,554	25,400
Repair expenses	309,018	155,778
Depreciation	1,922,479	1,823,065
Other	80,009	75,670
Total rental expenses	5,802,404	5,348,011
Income from property leasing	8,209,189	8,222,531

Note 9 – Net Assets

DOI issues non-par value units in accordance with the Investment Trust Act and all of the amounts issued are designated as stated capital. DOI maintains a minimum of 50 million yen of net assets as required by the Investment Trust Act.

Note 10 – Treasury Investment Units

Cancellation of treasury investment units as of November 30, 2024 and May 31, 2024 were as follows.

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Total number of own investments units cancelled (units)	29,688	19,611
Total amount of cancellation	16,457,533	13,457,770

Total number of treasury investment units cancelled and total amount of cancellation during the fiscal period ended November 30, 2024 were 10,077 units and 2,999,763 thousand yen, respectively.

Note 11 – Long-Term Debt and Investment Corporation Bonds

Long-term debt and investment corporation bonds as of November 30, 2024 and May 31, 2024 consisted of the following:

(Thousands of yen)

	As of November 30, 2024	May 31, 2024
Unsecured loans due 2024 to 2034, principally from banks and insurance companies with interest rates mainly ranging from 0.2% to 1.4%	210,400,000	205,400,000
1.0% unsecured bond due 2024	–	2,100,000
0.2% unsecured bond due 2024	–	1,700,000
0.3% unsecured bond due 2025	1,500,000	1,500,000
0.8% unsecured bond due 2029	2,200,000	–
0.6% unsecured bond due 2030	2,400,000	2,400,000
0.7% unsecured bond due 2031	1,300,000	1,300,000
1.5% unsecured bond due 2034	1,600,000	–
Total	219,400,000	214,400,000

(Note) The interest rates presented are daily weighted average interest rates. As for long-term debts which were hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used to calculate daily weighted average interest rates.

The annual maturities of long-term debt and investment corporation bonds as of November 30, 2024 were as follows:

(Thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Long-term debt and investment corporation bonds	24,500,000	22,400,000	27,600,000	26,200,000	31,250,000	87,450,000

DOI maintains commitment line contracts with one financial institution. There was no borrowing execution balance as of November 30, 2024. The amounts of unused commitments on loans as of November 30, 2024 and May 31, 2024 were as follows:

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Total amounts of borrowing commitment lines	5,500,000	5,500,000
Borrowing execution balances	–	–
Net unused balance	5,500,000	5,500,000

Note 12 – Leases

As Lessor

The future minimum rental revenues under existing non-cancelable operating leases as of November 30, 2024 and May 31, 2024 were as follows:

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Due within one year	11,935,951	11,627,173
Due after one year	20,239,831	20,546,488
Total	32,175,782	32,173,662

Note 13 – Gain on Sale of Investment Properties

Gain on sale of investment properties for the fiscal period ended November 30, 2024 was as follows:

(Thousands of yen)

	For the fiscal period ended November 30, 2024
Daiwa Tsukishima: (40% quasi co-ownership interest)	
Proceeds from sale of investment property	3,920,000
Cost of selling investment property	(2,502,161)
Other expenses related to sale	(213,534)
Gain on sale of investment property	1,204,303

No investment properties were sold during the fiscal period ended May 31, 2024.

Note 14 – Reduction of Investment Properties Purchased with Government Subsidies

Government subsidies of 77,363 thousand yen were deducted from the acquisition cost of the buildings in trust as of November 30, 2024 and May 31, 2024.

Note 15 – Reduction of Investment Properties Acquired through Exchange

The following amounts were deducted from the acquisition cost of the investment property in trust acquired through exchange as of November 30, 2024 and May 31, 2024.

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Buildings and structures in trust accounts	182,846	182,846
Land in trust accounts	887,074	887,074
Total	1,069,921	1,069,921

Note 16 – Income Taxes

DOI is subject to Japanese corporate income taxes on all of its taxable income. However, DOI may deduct the amount distributed to its unitholders from its taxable income when certain requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period, are met under the Special Taxation Measure Act of Japan. If DOI does not satisfy all of the requirements as specified in the Act, the entire taxable income of DOI will be subject to regular corporate income taxes in Japan.

DOI has made distribution in excess of 90% of its distributable profit for each fiscal period in order to be able to deduct such amount from taxable income.

The following table summarizes the significant difference between the statutory tax rate and DOI's effective tax rate for financial statement purposes.

(%)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Statutory tax rate	31.46	31.46
Deductible cash distributions	(28.76)	(33.17)
(Provision) reversal of reserve for reduction entry	(2.70)	1.71
Others	0.01	0.01
Effective tax rate	0.01	0.01

The significant components of deferred tax assets and liabilities as of November 30, 2024 and May 31, 2024 were as follows:

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2024
Deferred tax assets:		
Accrued enterprise tax	13	13
Deferred losses on hedges	–	4,933
Total deferred tax assets	13	4,946
Deferred tax liabilities:		
Deferred gains on hedges	202,765	201,393
Total deferred tax liabilities	202,765	201,393
Net deferred tax liabilities	(202,752)	(196,447)

Note 17 – Per Unit Information

Information about earnings per unit for the fiscal periods ended November 30, 2024 and May 31, 2024, and net assets per unit as of November 30, 2024 and May 31, 2024 were as follows:

(Yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Earnings per Unit:		
Net income per unit	7,545	6,496
Weighted average number of units outstanding (units)	949,417	956,516

(Yen)

	As of November 30, 2024	As of May 31, 2024
Net Assets per Unit	258,831	258,587

The computation of earnings per unit is based on the weighted average number of units outstanding during the period. The computation of net assets per unit is based on the number of units outstanding at each period end as stated on the balance sheets.

The diluted net income per unit is not stated as there are no diluted investment units.

There is no amount that is not available to ordinary unitholders.

DOI implemented a 2 for 1 split of its investment units with a record date of May 31, 2024 and an effective date of June 1, 2024. Earnings per unit and net assets per unit are calculated assuming the split has been executed as of December 1, 2023.

Note 18 – Distribution Information

DOI's Articles of Incorporation stipulate that DOI is required to make cash distribution in excess of 90% of distributable profit as defined in the Special Taxation Measure Act of Japan for each fiscal period. DOI has determined to pay out as earnings distributions a total amount of dividends for the fiscal period ended November 30, 2024 of 6,549,357,880 yen after deducting the amount of provision of reserve for reduction entry as stipulated in Article 65-7 of the Special Taxation Measure Act of Japan from unappropriated retained earnings and a total amount of dividends for the fiscal period ended May 31, 2024 of 6,552,134,600 yen after adding the amount of reversal of reserve for reduction entry to unappropriated retained earnings. Furthermore, DOI does not pay out dividends that exceed accounting profits as outlined in Article 32-2 of DOI's Articles of Incorporation.

(Yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
I Unappropriated retained earnings	7,163,787,008	6,214,200,337
II Reversal of voluntary reserves	–	337,934,263
Reversal of reserve for reduction entry		
III Cash distributions declared	6,549,357,880	6,552,134,600
IV Voluntary reserves	614,429,128	–
Provision of reserve for reduction entry		
V Retained earnings brought forward	–	–

Cash distributions are declared by the board of directors after the end of each period. Such distributions are payable to unitholders of record at the end of each period. Information of cash distributions per unit and the board of directors meeting dates when the distributions were proposed and approved were as follows:

(Yen)

	For the fiscal period ended November 30, 2024	For the fiscal period ended May 31, 2024
Cash distributions per unit	6,920	13,700
Board of directors meeting dates	January 22, 2025	July 19, 2024

Note 19 – Related-Party Transactions

No related-party transaction was entered into for the fiscal periods ended November 30, 2024 and May 31, 2024.

DOI became a consolidated subsidiary of Daiwa Securities Group Inc., which is listed in Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. during the fiscal period ended May 31, 2021.

Note 20 – Segment Information

For the fiscal periods ended November 30, 2024 and May 31, 2024

Segment Information

Segment information has been omitted as DOI has only one segment, which is property leasing business.

Related Information

Information about Products and Services

Disclosure of this information has been omitted as operating revenues to external customers for a single product/service category account for more than 90% of the operating revenues on the statements of income and retained earnings.

Information about Geographic Areas

(1) Operating revenues

Disclosure of this information has been omitted as domestic operating revenues account for more than 90% of total operating revenues.

(2) Investment properties

Disclosure of this information has been omitted as domestic investment properties account for more than 90% of the book value of the total investment properties.

Information about Major Tenants

Disclosure of this information has been omitted as there is no tenant that accounts for 10% or more of the operating revenues recorded in the statements of income and retained earnings.

Note 21 – Additional Information

Sales of Assets

DOI concluded a contract to sell a trust beneficial interest in real estate on July 19, 2024 as described below.

Overview of the asset

Property name	Daiwa Tsukishima		
Asset type	Trust beneficial interest in domestic real estate		
Sales price (planned) (Note 1)	9,800,000 thousand yen (excluding settlement amounts of property taxes and city planning taxes, and consumption taxes, etc.)		
	(1) 3,920,000 thousand yen (Quasi co-ownership of 40%)	(2) 2,940,000 thousand yen (Quasi co-ownership of 30%)	(3) 2,940,000 thousand yen (Quasi co-ownership of 30%)
Agreement date	July 19, 2024		
Delivery date (scheduled) (Note 2)	(1) November 29, 2024	(2) May 30, 2025	(3) November 28, 2025
Purchaser	Daiwa Securities Realty Co. Ltd.		

(Note 1) DOI intends to pay the purchaser the costs for a soil contamination investigation and countermeasures as a settlement fee. In addition, based on the status of future discussions with tenants, DOI, as the seller, may be responsible for tenant response costs. As stated in the securities report submitted by DOI on August 21, 2024, the cost of soil contamination investigation and countermeasures is related to soil contamination surveys required by the Ordinance on the Environment to Ensure the Health and Safety of Tokyo Residents when the land of the property is cut or excavated.

(Note 2) The sale of (1) has been completed on November 29, 2024.



Independent Auditor's Report

To the Board of Directors of
Daiwa Office Investment Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Daiwa Office Investment Corporation ("the Investment Corporation"), which comprise the balance sheets as at November 30, 2024 and May 31, 2024, the statements of income and retained earnings, statements of changes in net assets, statements of cash flows for each of the six months periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Investment Corporation as at November 30, 2024 and May 31, 2024, and its financial performance and its cash flows for each of the six months periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Investment Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Statement of Financial Performance, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory directors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Investment Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Investment Corporation or to cease operations, or has no realistic alternative but to do so.

Supervisory directors are responsible for overseeing the executive director's performance of his duties including the design, implementation and maintenance of the Investment Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Investment Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Investment Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Investment Corporation to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Investment Corporation for the current period are 16,275 thousand yen and 2,000 thousand yen, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Investment Corporation which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yohei Morimoto

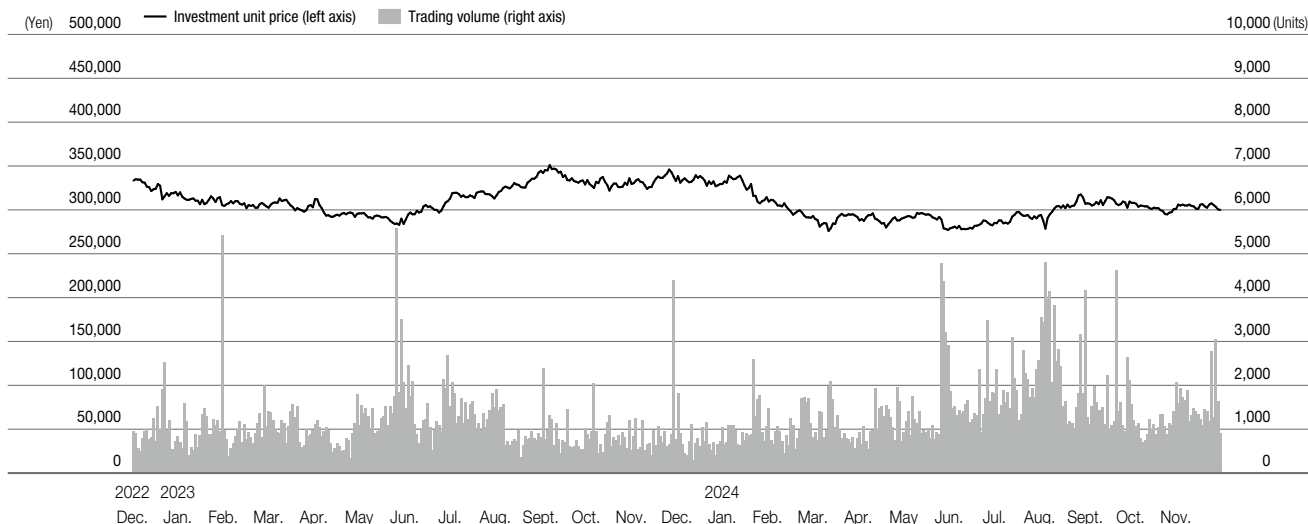
Designated Engagement Partner
Certified Public Accountant

Hiroaki Matsumoto

Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
February 19, 2025

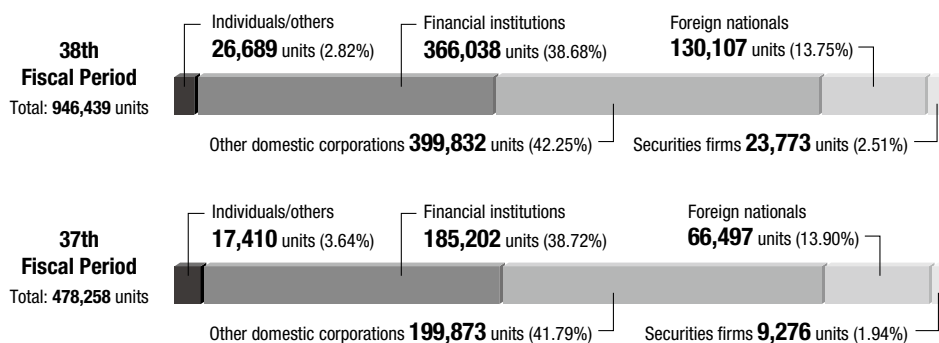
History of Investment Unit Price



(Note) A 2-for-1 split of investment units took place on June 1, 2024. This graph is based on the number of investment units after the split.

Overview of Investment Units and Unitholders (As of November 30, 2024)

No. of Investment Units by Investor Type



No. of Unitholders by Investor Type

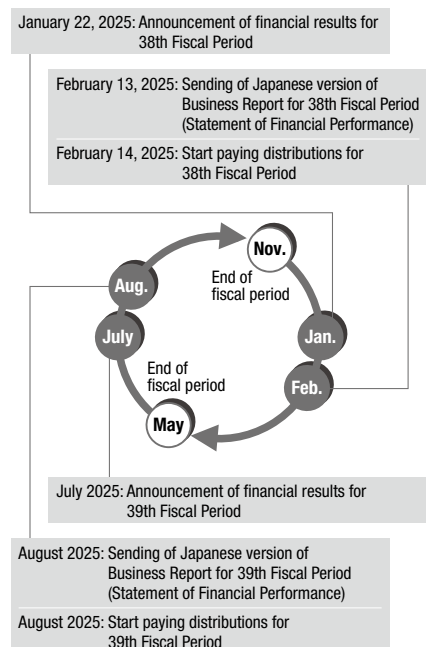
Individuals/others	5,218 (91.64%)
Financial institutions	99 (1.74%)
Other domestic corporations	112 (1.97%)
Foreign nationals	248 (4.36%)
Securities firms	17 (0.30%)
Total	5,694

Top Ten Unitholders (As of November 30, 2024)

Name of Unitholder	Number of Units Owned (Units)	Percentage Share (%)
1. Daiwa Investment Management Inc.	257,810	27.24
2. Daiwa Securities Group Inc.	134,642	14.23
3. The Master Trust Bank of Japan, Ltd. (Trust Account)	133,707	14.13
4. Custody Bank of Japan, Ltd. (Trust Account)	132,572	14.01
5. The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	29,059	3.07
6. STICHTING PENSIOEN FONDS ZORG EN WELZIJN	22,555	2.38
7. THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	14,182	1.50
8. STATE STREET BANK WEST CLIENT - TREATY 505234	8,640	0.91
9. Meiji Yasuda Life Insurance Company	7,662	0.81
10. Mizuho Securities Co., Ltd.	7,529	0.80

(Note) The percentage share figures are rounded to the second decimal place.

IR Calendar



Investor Memo

End of fiscal period	May 31 and November 30 of each year
General Meeting of Unitholders	Held at least once every two years
Date for finalizing unitholders with voting rights for the General Meeting of Unitholders	Date prescribed in Article 15 of the Articles of Incorporation
Reference date for finalizing payment of distributions	May 31 and November 30 of each year (distributions are paid within three months of the record date of distribution payment)
Listed financial instruments exchange	Tokyo Stock Exchange (stock code: 8976)
Newspaper in which notice is posted	Nihon Keizai Shimbun
Manager of unitholder registry, etc.	Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233
Office handling administrative affairs	Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233; Phone: 0120-782-031 (toll-free in Japan)
Service counter	Head Office and all branches of the Sumitomo Mitsui Trust Bank nationwide

Provision of Information on the Website

Daiwa Office Investment Corporation conducts information distribution on its website as an important tool for IR activities. For DOI's management status, please refer to the Presentation Material, Speech Presentation and Q&A in Earnings Announcement on the website. In addition, DOI also provides an e-mail delivery service, "IR Mail Delivery Service," which informs subscribers of updates to website content such as news release announcements free of charge via e-mail. The website will be continually enhanced and enriched so that the current situation and future strategies of DOI are clearly communicated.

Daiwa Office Investment Corporation

<https://www.daiwa-office.co.jp/en/>

Important information is distributed via e-mail. Please access and follow the simple steps if you wish to receive our IR mail delivery service.



大和証券オフィス投資法人

Daiwa Office Investment Corporation