

# Statement of Financial Performance for the 36th Fiscal Period

From: June 1, 2023  
To: November 30, 2023

**大和証券オフィス投資法人**

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Daiwa Office Investment Corporation

Stock Code	<b>8976</b>
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## 1. Management Status and Other Performance Highlights Data

Fiscal Period		36th Period From June 1, 2023 To Nov. 30, 2023	35th Period From Dec. 1, 2022 To May 31, 2023	34th Period From June 1, 2022 To Nov. 30, 2022	33rd Period From Dec. 1, 2021 To May 31, 2022	32nd Period From June 1, 2021 To Nov. 30, 2021
(1) Operating Performance (Millions of yen, except per unit data or where otherwise indicated)						
Operating revenues		13,646	15,050	13,891	14,474	13,882
Rental revenues		13,604	13,503	13,836	13,560	13,846
Operating expenses		6,898	7,384	6,828	6,551	6,531
Property-related expenses		5,559	5,987	5,453	5,143	5,146
Operating income		6,747	7,665	7,062	7,923	7,351
Ordinary income		6,151	7,100	6,494	7,493	6,784
Net income		6,192	7,099	6,512	7,493	6,799
(2) Properties, etc. (as of end of period)						
Total assets		482,200	482,471	481,049	483,461	483,279
[period-on-period percentage changes]		[−0.1%]	[+0.3%]	[−0.5%]	[+0.0%]	[−0.2%]
Interest-bearing liabilities		207,800	207,800	205,800	205,800	202,350
Net assets		247,523	247,849	247,491	250,538	253,637
[period-on-period percentage changes]		[−0.1%]	[+0.1%]	[−1.2%]	[−1.2%]	[+0.0%]
Unitholders' capital, net	Note 1	238,093	238,093	238,093	241,093	245,093
(3) Distributions						
Total distribution amount		6,552	6,552	6,552	6,755	6,833
Dividend payout		105.8%	92.3%	100.6%	90.2%	100.5%
(4) Per Unit Information						
Total number of units issued (units)		478,258	478,258	478,258	482,529	488,088
Net assets per unit (yen)		517,551	518,232	517,484	519,220	519,655
Distribution per unit (yen)		13,700	13,700	13,700	14,000	14,000
Distribution amount from earnings per unit (yen)		13,700	13,700	13,700	14,000	14,000
Distribution amount in excess of earnings per unit (yen)		—	—	—	—	—
(5) Financial Indicators						
ROA	Notes 2 and 3	1.3%	1.5%	1.3%	1.6%	1.4%
[annual rate]		[2.5%]	[3.0%]	[2.7%]	[3.1%]	[2.8%]
ROE	Notes 3 and 4	2.5%	2.9%	2.6%	3.0%	2.7%
[annual rate]		[5.0%]	[5.7%]	[5.2%]	[6.0%]	[5.3%]
Capital ratio		51.3%	51.4%	51.4%	51.8%	52.5%
[period-on-period percentage changes]		[−0.0%]	[−0.1%]	[−0.4%]	[−0.7%]	[+0.1%]
LTV (loan to value)		43.1%	43.1%	42.8%	42.6%	41.9%
Property leasing cash flows (NOI)	Note 5	9,832	9,313	10,171	10,200	10,508
(6) Other Referential Information						
Number of investment properties		58	58	59	59	60
Number of tenants	Note 6	643	642	639	635	641
Total rentable area (m <sup>2</sup> )		357,215.08	357,214.34	359,705.62	356,122.21	361,534.74
Occupancy rate	Note 7	97.7%	97.7%	97.4%	98.4%	97.8%
Depreciation		1,787	1,797	1,788	1,783	1,808
Capital expenditures		994	1,116	798	856	498

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

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

(Note 3) Figures for the 32nd Fiscal Period are the annualized figures calculated based on 183 days of management.  
 Figures for the 33rd Fiscal Period are the annualized figures calculated based on 182 days of management.  
 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.

(Note 4) ROE: Net income ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(Note 5) Property leasing cash flows (NOI): Rental revenues – Property-related expenses + Depreciation

(Note 6) 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 7) 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 462,586 million yen as of the last day of November 2023.

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 m<sup>2</sup> 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 continued to recover moderately in the post-COVID 19 period albeit stagnation in some areas, such as the real GDP growth rate (Second Preliminary Estimates) for July to September 2023 showing a negative annualized growth rate of -2.9%. Meanwhile, there is risk of downward pressure on the Japanese economy from a slowdown in overseas economies, such as monetary policy trends among central banks around the world and concerns about China’s future economy, and there is the need to continue monitoring the impact of rising prices, situation in the Middle East, fluctuation in the financial and capital markets and other factors.

In the office building leasing market in central Tokyo, the average vacancy rate has hovered about 6% since June 2021, and was 6.03% as of the end of November 2023 (Miki Shoji’s average vacancy rate for the five central wards of Tokyo). Although there are some signs of demand recovery due to employees returning to offices and re-recognition of office functions, the situation remains unpredictable as conditions have yet to recover to pre-pandemic levels.

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, 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, no new acquisition or sale took place, and DOI’s assets under management as of the end of the 36th Fiscal Period (November 30, 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, DOI will pursue initiatives to enhance the quality of its portfolio.

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 36th Fiscal Period (November 30, 2023) was 97.7%.

### (3) Overview of Capital Procurement

#### (A) Procurement of Capital for Repayment of Borrowings

In the 36th Fiscal Period, DOI made the following borrowings to repay borrowings.

- (i) DOI took out a loan of 1,000 million yen from Tokio Marine & Nichido Fire Insurance Co., Ltd. on July 31, 2023, to fund the repayment of the same amount borrowed from the same company due for repayment on the same day.
- (ii) DOI took out loans totaling 2,000 million yen from Resona Bank, Limited and Mizuho Trust & Banking Co., Ltd. on August 31, 2023, to fund the repayment of the same amount borrowed from the same two banks due for repayment on the same day.
- (iii) DOI took out a loan of 2,000 million yen from Sumitomo Mitsui Banking Corporation on September 29, 2023, to prepay 2,000 million yen of short-term loans payable from the same bank due for repayment on December 29, 2023.
- (iv) DOI took out loans totaling 10,200 million yen from Sumitomo Mitsui Trust Bank, Limited, the Development Bank of Japan Inc., MUFG Bank, Ltd., Mizuho Bank, Ltd., SBI Shinsei Bank, Limited and Resona Bank, Limited on November 30, 2023, to fund the repayment of the same amount borrowed from the same six banks due for repayment on the same day.

DOI concluded interest-rate swap agreements in the 36th Fiscal Period for 6,000 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 36th Fiscal Period (November 30, 2023) stood at 207,800 million yen in total (short-term loans payable: 500 million yen; long-term loans payable: 198,300 million yen; investment corporation bonds: 9,000 million yen). The balance of the current portion of long-term loans payable stood at 27,200 million yen, and that of investment corporation bonds stood at 3,800 million yen.

The average remaining period of interest-bearing liabilities as of the end of the 36th Fiscal Period stands at 4.1 years.

### (4) Capital Expenditures during the 36th Fiscal Period

The following summarizes the primary construction work that constitutes capital expenditures implemented during the 36th Fiscal Period for existing portfolio properties. Capital expenditures for the 36th Fiscal Period amounted to 994 million yen and, when combined with the 319 million yen in repair expenses charged to the 36th Fiscal Period expenses, totals 1,314 million yen in construction work implemented.

Name of real estate properties (Location)	Purpose	Period	Construction amount paid (Millions of yen)
Daiwa Kanda East (Chiyoda-ku, Tokyo)	Upgrading of air-conditioning facilities	From: June 2023 To: Nov. 2023	169
Daiwa Shibuya Square (Shibuya-ku, Tokyo)	Upgrading of air-conditioning facilities	From: June 2023 To: June 2023	95
Daiwa Ogikubo Tower (Suginami-ku, Tokyo)	Renewal of window cleaner platform	From: Sept. 2023 To: Nov. 2023	89
Other			640
Total			994

## **(5) Overview of Financial Performance and Distributions**

As a result of the management described above, DOI posted financial performance for the 36th Fiscal Period of 13,646 million yen in operating revenue, 6,747 million yen in operating income, 6,151 million yen in ordinary income and 6,192 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 distribute the entire amount after adding reversal of reserve for reduction entry (359,965,015 yen) to unappropriated retained earnings, and declared a distribution amount per unit of 13,700 yen.

### 3. Outlook for the Next Fiscal Period

#### (1) Investment Environment

The Japanese economy going forward is expected to see a moderate recovery, supported by movements such as improvement in employment and income conditions, as well as accommodative fiscal and monetary policies. 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 concerns about China's future economy, while monitoring the impact of rising prices, situation in the Middle East, fluctuation in the financial and capital markets and other factors.

In the central Tokyo office building leasing market, demand recovery is expected centering on office buildings in highly competitive location due to employees returning to offices and re-recognition of office functions. However, the impact of a new supply of large-scale office buildings in central Tokyo expected in 2025 continues to warrant close monitoring. In addition, the impact on borrowing rates associated with interest rate hike warrant caution.

In the office building transaction market, backed by the favorable financing environment, interest rate differentials with overseas markets, yen depreciation, 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.

#### (2) 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 DOI 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. 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 m<sup>2</sup> 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 previous fiscal period (35th Fiscal Period), DOI concluded a purchase agreement to acquire S-GATE FIT Nihonbashi Bakurocho. (Planned acquisition price: 6,300 million yen) 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 DOI by the same date. With regard to the property, a real estate appraisal report by Japan Real Estate Institute with November 30, 2023, as the appraisal date has been obtained, and the appraisal value as of the date is 6,860 million yen.

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. DOI will strive to acquire properties in accordance with the investment strategy described above, while continuing to carefully assess such development projects.

### (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 37th 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
CONCURRED Yokohama (Yokohama-shi, Kanagawa)	Conversion to LED lighting at exclusive and common areas	From: Dec. 2023 To: May 2024	104	—	—
Daiwa Sasazuka Tower (Shibuya-ku, Tokyo)	Renewal of window cleaner platform	From: Dec. 2023 To: May 2024	63	—	—
Daiwa Shibuya Shinsen (Shibuya-ku, Tokyo)	Repair of exterior walls	From: Dec. 2023 To: May 2024	61	—	—
Daiwa River Gate (Chuo-ku, Tokyo)	Renovation of elevators	From: Dec. 2023 To: May 2024	59	—	—
Daiwa Sasazuka (Shibuya-ku, Tokyo)	Renovation of elevators	From: Dec. 2023 To: May 2024	51	—	—



## II. Balance Sheets

As of November 30, 2023 and May 31, 2023

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (Note 3)	29,705,371	30,798,288
Tenant receivables	95,994	94,142
Prepaid expenses	390,865	376,529
Other current assets	48,778	34,818
Total Current Assets	30,241,010	31,303,779
Investment Properties, at cost (Notes 5 and 6):		
Land	12,302,226	12,302,226
Buildings and structures	3,659,486	3,658,236
Tools, furniture and fixtures	21,875	21,875
Construction in progress	88	–
Land in trust accounts (Note 15)	354,910,042	354,910,042
Buildings and structures in trust accounts (Notes 14 and 15)	112,350,660	111,442,545
Machinery and equipment in trust accounts	1,027,501	965,276
Tools, furniture and fixtures in trust accounts	456,163	432,907
Construction in progress in trust accounts	2,381,246	912,793
Less: accumulated depreciation	(39,897,158)	(38,109,457)
Leasehold rights	2,398,275	2,398,275
Leasehold rights in trust accounts	306,884	306,884
Total Investment Properties, net	449,917,293	449,241,606
Investments and Other Assets:		
Lease and guarantee deposits in trust accounts	113,684	113,684
Long-term prepaid expenses	1,326,510	1,308,489
Derivative assets (Note 4)	445,563	353,911
Deferred investment corporation bond issuance costs	29,291	34,322
Others	127,468	115,288
Total Investments and Other Assets	2,042,518	1,925,696
<b>Total Assets</b>	<b>482,200,822</b>	<b>482,471,082</b>

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



(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	1,286,974	1,261,162
Short-term debt (Note 11)	500,000	2,000,000
Investment corporation bonds due within one year (Notes 4 and 11)	3,800,000	–
Long-term debt due within one year (Notes 4 and 11)	27,200,000	25,600,000
Accounts payable – other	574,378	584,998
Income taxes payable	880	880
Accrued consumption taxes	277,129	395,300
Rent received in advance	2,307,530	2,273,087
Other current liabilities	688,158	502,682
Total Current Liabilities	36,635,051	32,618,110
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 11)	5,200,000	9,000,000
Long-term debt (Notes 4 and 11)	171,100,000	171,200,000
Tenant security deposits including trust accounts (Note 4)	21,559,338	21,646,201
Deferred tax liabilities (Note 16)	124,083	149,977
Derivative liabilities	59,196	7,722
Total Long-Term Liabilities	198,042,617	202,003,901
<b>Total Liabilities</b>	234,677,669	234,622,012
<b>Net Assets (Notes 9 and 17)</b>		
Unitholders' Equity:		
Unitholders' capital	251,551,759	251,551,759
Units authorized: 2,000,000 units		
Units issued and outstanding: 478,258 units as of November 30, 2023 and May 31, 2023		
Deduction from unitholders' capital	(13,457,770)	(13,457,770)
Unitholders' capital, net	238,093,989	238,093,989
Reserve for reduction entry	2,966,633	2,419,008
Retained earnings	6,192,169	7,099,759
Total Unitholders' Equity	247,252,791	247,612,756
Valuation and translation adjustments		
Deferred gains or losses on hedges	270,361	236,313
Total valuation and translation adjustments	270,361	236,313
<b>Total Net Assets</b>	247,523,153	247,849,070
<b>Total Liabilities and Net Assets</b>	482,200,822	482,471,082

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

### III. Statements of Income and Retained Earnings

For the fiscal periods ended November 30, 2023 and May 31, 2023

(Thousands of yen)

	For the fiscal period ended November 30, 2023	For the fiscal period ended May 31, 2023
<b>Operating Revenues (Note 7):</b>		
Rental revenues (Note 8)	13,604,055	13,503,773
Other revenues related to property leasing (Note 8)	42,173	27,545
Gain on sale of investment properties (Note 13)	–	1,519,036
<b>Total Operating Revenues</b>	<b>13,646,229</b>	<b>15,050,355</b>
<b>Operating Expenses:</b>		
Property-related expenses (Note 8)	5,559,019	5,987,987
Asset management fees	1,120,650	1,148,882
Asset custody fees	24,048	24,084
Administrative service fees	72,785	72,437
Trust fees	17,654	18,577
Directors' compensation	7,200	7,200
Other operating expenses	96,895	125,604
<b>Total Operating Expenses</b>	<b>6,898,253</b>	<b>7,384,774</b>
<b>Operating Income</b>	<b>6,747,975</b>	<b>7,665,581</b>
<b>Non-Operating Revenues:</b>		
Interest income	15	14
Reversal of distribution payable	693	1,072
Insurance income	99	13,800
Other non-operating revenues	0	318
<b>Total Non-Operating Revenues</b>	<b>808</b>	<b>15,207</b>
<b>Non-Operating Expenses:</b>		
Interest expense	414,549	401,671
Interest expense on investment corporation bonds	26,041	26,328
Borrowing expenses	144,541	140,634
Other non-operating expenses	12,123	11,513
<b>Total Non-Operating Expenses</b>	<b>597,255</b>	<b>580,147</b>
<b>Ordinary Income</b>	<b>6,151,529</b>	<b>7,100,640</b>
<b>Income Before Income Taxes</b>	<b>6,151,529</b>	<b>7,100,640</b>
Income taxes – current	881	881
Income taxes – deferred	(41,522)	–
<b>Total Income Taxes (Note 16)</b>	<b>(40,640)</b>	<b>881</b>
<b>Net Income</b>	<b>6,192,169</b>	<b>7,099,759</b>
<b>Retained Earnings Brought Forward</b>	<b>–</b>	<b>–</b>
<b>Retained Earnings at End of Period</b>	<b>6,192,169</b>	<b>7,099,759</b>

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, 2023 and May 31, 2023

(Thousands of yen)

	Number of Units (Units)	Unitholders' Equity					Deferred Gains or Losses on Hedges	Total Net Assets
		Unitholders' Capital	Deduction from Unitholders' Capital	Unitholders' Capital, net	Reserve for Reduction Entry	Retained Earnings		
<b>Balance as of November 30, 2022</b>	478,258	251,551,759	(13,457,770)	238,093,989	2,459,048	6,512,095	426,174	247,491,307
Cash distributions declared	—	—	—	—	—	(6,552,134)	—	(6,552,134)
Net income	—	—	—	—	—	7,099,759	—	7,099,759
Reversal of reserve for reduction entry	—	—	—	—	(40,039)	40,039	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	(189,861)	(189,861)
<b>Balance as of May 31, 2023</b>	478,258	251,551,759	(13,457,770)	238,093,989	2,419,008	7,099,759	236,313	247,849,070
Cash distributions declared	—	—	—	—	—	(6,552,134)	—	(6,552,134)
Net income	—	—	—	—	—	6,192,169	—	6,192,169
Provision of reserve for reduction entry	—	—	—	—	547,624	(547,624)	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	34,047	34,047
<b>Balance as of November 30, 2023</b>	478,258	251,551,759	(13,457,770)	238,093,989	2,966,633	6,192,169	270,361	247,523,153

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

## V. Statements of Cash Flows

For the fiscal periods ended November 30, 2023 and May 31, 2023

(Thousands of yen)

	For the fiscal period ended November 30, 2023	For the fiscal period ended May 31, 2023
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	6,151,529	7,100,640
Depreciation and amortization	1,789,425	1,798,721
Amortization of bond issuance costs	5,030	5,003
Interest expense	440,590	427,999
(Increase) decrease in tenant receivables	(1,851)	6,493
(Decrease) increase in accounts payable	(329,223)	483,029
Increase (decrease) in rent received in advance	34,443	(387,297)
Interest payments	(440,713)	(427,882)
(Decrease) increase in accrued consumption taxes	(118,170)	245,342
Decrease in consumption taxes receivable	–	82,420
Decrease due to sale of investment properties in trust accounts	–	5,536,413
Other, net	152,632	17,444
<b>Net Cash Provided by Operating Activities</b>	<b>7,683,693</b>	<b>14,888,329</b>
<b>Cash Flows from Investing Activities:</b>		
Payments for purchases of investment properties including trust accounts	(2,128,193)	(1,918,590)
Payments for purchases of intangible assets	(9,670)	–
Proceeds from tenant security deposits including trust accounts	662,628	595,712
Refunds of tenant security deposits including trust accounts	(749,491)	(1,023,852)
<b>Net Cash Used in Investing Activities</b>	<b>(2,224,726)</b>	<b>(2,346,730)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	500,000	2,000,000
Repayments of short-term debt	(2,000,000)	
Proceeds from long-term debt	14,700,000	13,000,000
Repayments of long-term debt	(13,200,000)	(13,000,000)
Distributions paid	(6,551,884)	(6,551,992)
<b>Net Cash Used in Financing Activities</b>	<b>(6,551,884)</b>	<b>(4,551,992)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,092,917)</b>	<b>7,989,606</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>30,798,288</b>	<b>22,808,682</b>
<b>Cash and Cash Equivalents at End of Period (Note 3)</b>	<b>29,705,371</b>	<b>30,798,288</b>

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

For the fiscal periods ended November 30, 2023 and May 31, 2023

### 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.

As of November 30, 2023, DOI had ownership or trust beneficiary interests in 58 office properties with approximately 357,215.08 m<sup>2</sup> of rentable office space and had leased office space to 643 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, 2023	As of May 31, 2023
Buildings and structures	4-64 years	2-64 years
Machinery and equipment	10-23 years	10-23 years
Tools, furniture and fixtures	4-15 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.

There were no capitalized real estate taxes for the fiscal periods ended November 30, 2023 and May 31, 2023.

### (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, 2023 and May 31, 2023 were as follows:

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
Tangible fixed assets	447,212,133	446,536,446
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, 2023 and May 31, 2023 consisted of the following:

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
Cash and deposits	25,875,644	27,028,187
Cash and deposits in trust accounts	3,829,727	3,770,101
Cash and cash equivalents	29,705,371	30,798,288

### 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, 2023 and May 31, 2023 were as follows. Cash and cash equivalents, and short-term debt 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, 2023			As of May 31, 2023		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment corporation bonds due within one year	3,800,000	3,806,180	6,180	—	—	—
Long-term debt due within one year	27,200,000	27,190,274	(9,725)	25,600,000	25,588,019	(11,980)
Investment corporation bonds	5,200,000	5,070,430	(129,570)	9,000,000	8,915,280	(84,720)
Long-term debt	171,100,000	169,982,937	(1,117,062)	171,200,000	170,430,316	(769,683)
<b>Total</b>	<b>207,300,000</b>	<b>206,049,821</b>	<b>(1,250,178)</b>	<b>205,800,000</b>	<b>204,933,615</b>	<b>(866,384)</b>
<b>Derivative transactions (*)</b>	<b>394,457</b>	<b>394,457</b>	<b>—</b>	<b>344,781</b>	<b>344,781</b>	<b>—</b>

(\*) 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, 2023		
			Contracted amount		Fair value (*1)
			Total	Due after one year	
Deferral hedge accounting method	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	64,500,000	46,700,000	394,457
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	29,900,000	28,000,000	– (*2)
			94,400,000	74,700,000	394,457

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Hedged item	As of May 31, 2023		
			Contracted amount		Fair value (*1)
			Total	Due after one year	
Deferral hedge accounting method	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	68,500,000	52,500,000	344,781
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	28,900,000	27,000,000	– (*2)
			97,400,000	79,500,000	344,781

(\*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 21,559,338 thousand yen and 21,646,201 thousand yen as of November 30, 2023 and May 31, 2023, 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, 2023	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	27,200,000	23,000,000	22,400,000	27,600,000	26,200,000	71,900,000
<b>Total</b>	31,000,000	24,500,000	22,400,000	27,600,000	26,200,000	75,600,000

(Thousands of yen)

As of May 31, 2023	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	25,600,000	30,800,000	20,700,000	20,200,000	29,100,000	70,400,000
<b>Total</b>	25,600,000	34,600,000	22,200,000	20,200,000	29,100,000	74,100,000

## Note 5 – Tangible Fixed Assets of Investment Properties

Investment properties as of November 30, 2023 and May 31, 2023 consisted of the following:

(Thousands of yen)

	As of November 30, 2023			As of May 31, 2023		
	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	3,659,486	(2,942,628)	716,857	3,658,236	(2,890,257)	767,978
Tools, furniture and fixtures	21,875	(19,830)	2,044	21,875	(19,030)	2,845
Construction in progress	88	–	88	–	–	–
Land in trust accounts	354,910,042	–	354,910,042	354,910,042	–	354,910,042
Buildings and structures in trust accounts	112,350,660	(36,042,761)	76,307,899	111,442,545	(34,364,367)	77,078,178
Machinery and equipment in trust accounts	1,027,501	(611,138)	416,362	965,276	(574,656)	390,620
Tools, furniture and fixtures in trust accounts	456,163	(280,798)	175,364	432,907	(261,146)	171,761
Construction in progress in trust accounts	2,381,246	–	2,381,246	912,793	–	912,793
<b>Total</b>	<b>487,109,291</b>	<b>(39,897,158)</b>	<b>447,212,133</b>	<b>484,645,904</b>	<b>(38,109,457)</b>	<b>446,536,446</b>

## 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, 2023	For the fiscal period ended May 31, 2023
<b>Book value: (Note 1)</b>		
Balance at beginning of period	448,328,813	454,561,390
Change during the period (Note 2)	(792,854)	(6,232,577)
Balance at end of period	447,535,958	448,328,813
<b>Fair value (Note 3)</b>	<b>587,530,000</b>	<b>587,160,000</b>

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

(Note 2) Significant changes

For the fiscal period ended November 30, 2023, the major reason for the decrease is depreciation (1,787 million yen). For the fiscal period ended May 31, 2023, the major reason for the decrease is disposition of “Daiwa SHIBUYA EDGE” (5,536 million yen) and depreciation (1,797 million yen).

(Note 3) The fair values as of November 30, 2023 and May 31, 2023 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, 2023 and May 31, 2023 was as follows:

(Thousands of yen)

For the fiscal period ended November 30, 2023		
	Revenues arising from contracts with customers (Note)	Sales to external customers
Sales of investment properties	–	–
Utility charge revenues	1,044,485	1,044,485
Other	–	12,601,743
<b>Total</b>	<b>1,044,485</b>	<b>13,646,229</b>

(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.

(Thousands of yen)

For the fiscal period ended May 31, 2023		
	Revenues arising from contracts with customers (Note 1)	Sales to external customers
Sales of investment properties (Note 2)	7,313,000	1,519,036
Utility charge revenues	967,320	967,320
Other	–	12,563,998
<b>Total</b>	<b>8,280,320</b>	<b>15,050,355</b>

(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.)

## Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the fiscal periods ended November 30, 2023 and May 31, 2023 were as follows:

(Thousands of yen)

	For the fiscal period ended November 30, 2023	For the fiscal period ended May 31, 2023
<b>Revenues from property leasing:</b>		
Rental revenues	13,604,055	13,503,773
Other revenues related to property leasing	42,173	27,545
<b>Total revenues from property leasing</b>	<b>13,646,229</b>	<b>13,531,319</b>
<b>Rental expenses:</b>		
Consignment expenses	1,004,099	1,076,880
Utilities expenses	1,141,646	1,288,850
Taxes and dues	1,205,457	1,150,420
Insurance expenses	25,131	24,719
Repair expenses	319,560	575,184
Depreciation	1,787,700	1,797,518
Other	75,422	74,413
<b>Total rental expenses</b>	<b>5,559,019</b>	<b>5,987,987</b>
<b>Income from property leasing</b>	<b>8,087,210</b>	<b>7,543,331</b>

## 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, 2023 and May 31, 2023 were as follows.

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2022
Total number of own investments units cancelled (units)	19,611	19,611
Total amount of cancellation	13,457,770	13,457,770

## Note 11 – Short-Term Debt, Long-Term Debt Due Within One Year, Long-Term Debt and Investment Corporation Bonds

Short-term debt, long-term debt due within one year, long-term debt and investment corporation bonds as of November 30, 2023 and May 31, 2023 consisted of the following:

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
0.3% unsecured short-term loans due 2023 to 2024, from banks	500,000	2,000,000
<b>Total</b>	<b>500,000</b>	<b>2,000,000</b>

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
Unsecured loans due 2023 to 2032, principally from banks and insurance companies with interest rates mainly ranging from 0.1% to 1.0%	198,300,000	196,800,000
1.0% unsecured bond due 2024	2,100,000	2,100,000
0.2% unsecured bond due 2024	1,700,000	1,700,000
0.3% unsecured bond due 2025	1,500,000	1,500,000
0.6% unsecured bond due 2030	2,400,000	2,400,000
0.7% unsecured bond due 2031	1,300,000	1,300,000
<b>Total</b>	<b>207,300,000</b>	<b>205,800,000</b>

(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, 2023 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	31,000,000	24,500,000	22,400,000	27,600,000	26,200,000	75,600,000

DOI maintains commitment line contracts with one financial institution. There was no borrowing execution balance as of November 30, 2023. The amounts of unused commitments on loans as of November 30, 2023 and May 31, 2023 were as follows:

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
Total amounts of borrowing commitment lines	5,500,000	5,500,000
Borrowing execution balances	–	–
<b>Net unused balance</b>	<b>5,500,000</b>	<b>5,500,000</b>



## Note 12 – Leases

As Lessor

The future minimum rental revenues under existing non-cancelable operating leases as of November 30, 2023 and May 31, 2023 were as follows:

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
Due within one year	10,660,407	10,820,984
Due after one year	18,941,854	18,132,726
<b>Total</b>	<b>29,602,262</b>	<b>28,953,711</b>

## Note 13 – Gain on Sale of Investment Properties

No investment properties were sold during the fiscal period ended November 30, 2023.

Gain on sale of investment properties for the fiscal period ended May 31, 2023 was as follows:

(Thousands of yen)

	For the fiscal period ended May 31, 2022
<b>Daiwa SHIBUYA EDGE:</b>	
Proceeds from sale of investment property	7,313,000
Cost of selling investment property	(5,536,413)
Other expenses related to sale	(257,549)
Gain on sale of investment property	1,519,036

## 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, 2023 and May 31, 2023.

## 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, 2023 and May 31, 2023.

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
Buildings and structures in trust accounts	182,846	182,846
Land in trust accounts	887,074	887,074
<b>Total</b>	<b>1,069,921</b>	<b>1,069,921</b>

## 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, 2023	For the fiscal period ended May 31, 2023
Statutory tax rate	31.46	31.46
Deductible cash distributions	(33.51)	(29.03)
Provision of reserve for reduction entry	1.38	(2.43)
Others	0.01	0.01
Effective tax rate	(0.66)	0.01

The significant components of deferred tax assets and liabilities as of November 30, 2023 and May 31, 2023 were as follows:

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2023
<b>Deferred tax assets:</b>		
Accrued enterprise tax	13	13
Deferred losses on hedges	18,713	3,146
<b>Total deferred tax assets</b>	<b>18,727</b>	<b>3,159</b>
<b>Deferred tax liabilities:</b>		
Reserve for reduction entry	–	41,522
Deferred gains on hedges	142,810	111,614
<b>Total deferred tax liabilities</b>	<b>142,810</b>	<b>153,137</b>
<b>Net deferred tax liabilities</b>	<b>(124,083)</b>	<b>(149,977)</b>

## Note 17 – Per Unit Information

Information about earnings per unit for the fiscal periods ended November 30, 2023 and May 31, 2023, and net assets per unit as of November 30, 2023 and May 31, 2023 were as follows:

(Yen)

	For the fiscal period ended November 30, 2023	For the fiscal period ended May 31, 2023
<b>Earnings per Unit:</b>		
Net income per unit	12,947	14,845
Weighted average number of units outstanding (units)	478,258	478,258

(Yen)

	As of November 30, 2023	As of May 31, 2023
<b>Net Assets per Unit</b>	517,551	518,232

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.

## 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, 2023 of 6,552,134,600 yen after adding the amount of reversal of reserve for reduction entry to unappropriated retained earnings and a total amount of dividends for the fiscal period ended May 31, 2023 of 6,552,134,600 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. 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, 2023	For the fiscal period ended May 31, 2023
I Unappropriated retained earnings	6,192,169,585	7,099,759,180
II Reversal of voluntary reserves Reversal of reserve for reduction entry	359,965,015	–
III Cash distributions declared	6,552,134,600	6,552,134,600
IV Voluntary reserves Provision of reserve for reduction entry	–	547,624,580
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, 2023	For the fiscal period ended May 31, 2023
Cash distributions per unit	13,700	13,700
Board of directors meeting dates	January 22, 2024	July 21, 2023

## Note 19 – Related-Party Transactions

No related-party transaction was entered into for the fiscal periods ended November 30, 2023 and May 31, 2023.

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, 2023 and May 31, 2023

### 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 – Significant Subsequent Events

At the meeting of the board of directors held on January 22, 2024, DOI resolved on the split of investment units (the “Split”) as described below.

### (1) Purpose of the Split

The Split will be conducted to establish a better environment where investors can invest with ease as well as to further widen the spectrum of investors and increase the liquidity of the investment units by decreasing the unit price of the investment units.

### (2) Method of the Split

As of the record date of May 31, 2024, DOI will implement a 2 for 1 split of its investment units held by unitholders stated or recorded on the unitholders’ registry at the closing of that date.

### (3) Increase in number of investment units through the Split

i)	Total number of investment units issued and outstanding before the Split:	478,258 units
ii)	Increase in number of investment units through the Split:	478,258 units
iii)	Total number of investment units issued and outstanding after the Split:	956,516 units
iv)	Total number of investment units authorized after the Split:	4,000,000 units

### (4) Schedule of the Split

i)	Date of public notice of record date:	Wednesday, May 15, 2024 (scheduled)
ii)	Record date:	Friday, May 31, 2024 (Note)
iii)	Effective date:	Saturday, June 1, 2024

(Note) The last trading date with rights at the Tokyo Stock Exchange is scheduled to be Wednesday, May 29, 2024.

(5) Effect on per unit information

Per unit information for the fiscal period ended November 30, 2023 assuming the Split has been executed as of June 1, 2023 will be as follows:

- i) Net assets per unit: 258,775 yen
- ii) Net income per unit: 6,473 yen

## Note 22 – Additional Information

### *Acquisition of Assets*

DOI decided to acquire a trust beneficial interest in real estate on March 22, 2023 as described below.

Overview of the asset

Property name	S-GATE FIT Nihonbashi Bakurocho
Asset type	Trust beneficial interest in domestic real estate (Note 1)
Location	1-11-10 Nihonbashi-bakurocho, Chuo-ku, Tokyo
Acquisition price	6,300,000 thousand yen (excluding acquisition costs, consumption tax, etc.)
Agreement date	March 22, 2023
Scheduled delivery date	March 29, 2024, or a date agreed upon separately by the sellers and DOI by the same date
Sellers	THE SANKEI BUILDING CO., LTD. and Mitsubishi Corporation Urban Development, Inc. (Note 2)

(Note 1) The asset to be acquired represents a trust beneficial 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) DOI will acquire quasi co-ownership interest (55/100 of holdings) in trust beneficial 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.

# VII. Independent Auditor's Report



## 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, 2023 and May 31, 2023, 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, 2023 and May 31, 2023, 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.

#### **Emphasis of Matter**

We draw attention to Note 21 to the financial statements, which states that DOI resolved on the split of investment units. Our opinion is not modified in respect of this matter.

#### **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 provided to the Investment Corporation for the current period are 15,750 thousand yen, and there are no paid or payable non-audit services fees.



**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.

森本洋平

Yohei Morimoto

Designated Engagement Partner

Certified Public Accountant

松本大明

Hiroaki Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

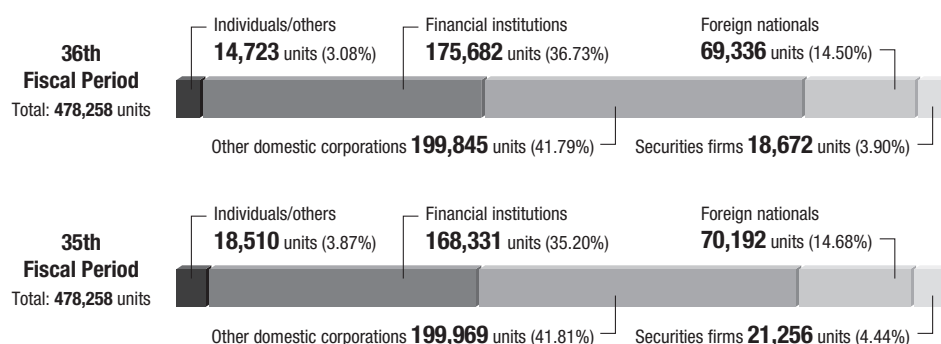
February 19, 2024

## History of Investment Unit Price



## Overview of Investment Units and Unitholders (As of November 30, 2023)

### No. of Investment Units by Investor Type



### No. of Unitholders by Investor Type

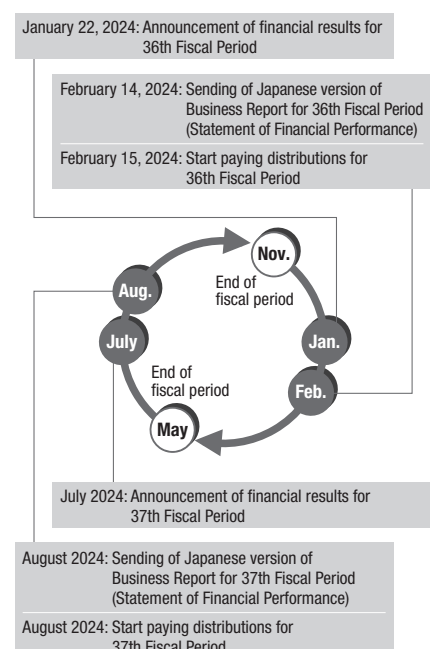
Individuals/others	4,931 (91.11%)
Financial institutions	101 (1.87%)
Other domestic corporations	99 (1.83%)
Foreign nationals	260 (4.80%)
Securities firms	21 (0.39%)
<b>Total</b>	<b>5,412</b>

## Top Ten Unitholders (As of November 30, 2023)

Name of Unitholder	Number of Units Owned (Units)	Percentage Share
1. Daiwa Investment Management Inc.	128,905	26.95
2. Custody Bank of Japan, Ltd. (Trust Account)	69,234	14.48
3. Daiwa Securities Group Inc.	67,321	14.08
4. The Master Trust Bank of Japan, Ltd. (Trust Account)	58,470	12.23
5. The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	14,176	2.96
6. STICHTING PENSIOEN FONDS ZORG EN WELZIJN	11,717	2.45
7. SMBC Nikko Securities Inc.	9,020	1.89
8. SSBTC CLIENT OMNIBUS ACCOUNT	4,940	1.03
9. STATE STREET BANK WEST CLIENT - TREATY 505234	4,694	0.98
10. Japan Securities Finance Co., Ltd.	3,550	0.74

(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