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## REIT Financial Report for the 10th Fiscal Period

January 13, 2010

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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 24, 2011  
 Scheduled date of start of distribution payments: February 14, 2011

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

### 1. Status of Management and Assets for the 10th Fiscal Period

**10th Fiscal Period: Fiscal period ended November 2010 (from June 1, 2010 to November 30, 2010)**

**9th Fiscal Period: Fiscal period ended May 2010 (from December 1, 2009 to May 31, 2010)**

#### (1) Management

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

	Operating revenue		Operating income		Ordinary income		Net income	
10th Period	¥6,424 million	(8.0%)	¥2,481 million	(16.1%)	¥1,273 million	(28.2%)	¥1,282 million	(38.2%)
9th Period	¥6,985 million	(9.8%)	¥2,959 million	(24.2%)	¥1,773 million	(34.6%)	¥2,076 million	(23.4%)

  

	Net income per unit	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
10th Period	¥3,239	0.6%	0.4%	19.8%
9th Period	¥5,246	1.0%	0.6%	25.4%

#### (2) Distributions

[Total distribution amounts are rounded down to the nearest million yen]

	Distribution amount per unit (excluding distribution amount in excess of earnings)	Total distribution amount	Distribution amount in excess of earnings per unit	Total distribution amount in excess of earnings	Dividend payout	Ratio of distribution amount to net assets
10th Period	¥3,240	¥1,282 million	¥0	¥- million	100.0%	0.6%
9th Period	¥5,246	¥2,076 million	¥0	¥- million	100.0%	1.0%

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

#### (3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
10th Period	¥294,562 million	¥200,063 million	67.9%	¥505,468
9th Period	¥283,866 million	¥200,857 million	70.8%	¥507,474

(4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
10th Period	¥2,852 million	(¥8,609 million)	¥8,257 million	¥18,503 million
9th Period	¥3,193 million	(¥6,578 million)	(¥2,834 million)	¥16,003 million

**2. Management Status Forecasts for the 11th Fiscal Period**

**11th Fiscal Period: Fiscal period ending May 2011 (from December 1, 2010 to May 31, 2011)**

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

	Operating revenue		Operating income		Ordinary income		Net income	
11th Period	¥6,650 million	3.5%	¥2,546 million	2.6%	¥1,300 million	2.1%	¥1,298 million	1.2%

	Distribution amount per unit (excluding distribution amount in excess of earnings)	Distribution amount in excess of earnings per unit
11th Period	¥3,280	¥0

(Reference) Estimated net income per unit for 11th Fiscal Period: ¥3,280

**3. Other**

(1) Changes in Accounting Policies

- (i) Changes accompanying amendments to accounting standards, etc.: Yes
- (ii) Changes other than (i): None

(2) Number of Investment Units Issued and Outstanding

- (i) Number of investment units issued and outstanding at end of period (including own investment units):  
 10th Fiscal Period: 395,798 units      9th Fiscal Period: 395,798 units
- (ii) Number of own investment units at end of period:  
 10th Fiscal Period: – units      9th Fiscal Period: – units

**\*Explanation on the Appropriate Use of the Management Status Forecasts, and Other Matters of Special Note**

The forecast figures set forth herein are the current prospects based on information currently available to the Investment Corporation and contain elements of uncertainty. Accordingly, the actual operating revenue, operating income, ordinary income, net income and distribution amount per unit may vary due to changes in the status. Moreover, the forecasts set forth herein should not be construed as a guarantee of distribution amounts. For details on the assumptions underlying the forecast figures above, please refer to “4.2.2. Outlook for Management Status” in “4. Management Policy and Management Status”.

## **4. Management Policy and Management Status**

### **4.1. Overview of the Fiscal Period under Review**

#### **4.1.1. Management Performance**

In view of increasing the long-term EPS (EPS after deducting gain on sales of properties (net income per unit)) over the medium and long term, the Investment Corporation worked on “external growth,” which aims to boost revenue through acquiring and selling properties, and “internal growth,” which aims to maximize income generating from existing properties. External growth is imperative to restore the long-term EPS level, the Investment Corporation proactively engaged in property acquisition activities and purchased “Kyodo Building (Nishi-shimbashi)” (acquisition price: 5.0billion yen) in August and “Kyodo Building (Kudan Ichigo-kan)”(acquisition price:4.0billion yen) in September.

As a result, the Investment Corporation’s assets under management as of the end of the 10th Fiscal Period (November 31, 2010) totaled 33 properties, the sum total of acquisition prices of which amounted to 278,195 million yen. Moreover, this results in investments in the five central wards of Tokyo, which the Investment Corporation positions as a top priority investment area, accounting for 91.3% of the entire portfolio (based on acquisition price).

Concerning internal growth, on the other hand, occupancy rate at the end of the 10th Fiscal Period in spite of the severe office leasing market conditions recovered to 95.9% by strengthening the partnership with leasing brokers and property managers. Moreover the Investment Corporation proactively pursued heightened tenant satisfaction levels by strengthening relation with tenants.

#### **4.1.2. Overview of Fund Procurement**

On September 2, 2010 and September 30, 2010, the Investment Corporation borrowed 5,500 million yen in total from Shinsei Bank, Ltd., The Bank of Fukuoka, Ltd. and ORIX Trust and Banking Corporation to increase liquidity of cash flow in prospect of acquiring properties. Besides, on June 24, 2010, the Investment Corporation issued the investment corporation bonds to 5,000million yen to achieve a property, etc.

In addition, contractual repayments of 41.25 million yen in total were made to Development Bank of Japan Inc. and The Kagawa Bank, Ltd. on August 31,2010. Moreover, a contractual repayment of 7.5 million yen was made to The 77 Bank, Ltd. on September 17, 2010 and contractual repayments of 84.375 million yen in total were made to Sumitomo Mitsui Banking Corporation, The Sumitomo Trust and Banking Co., Ltd., Development Bank of Japan Inc., The Chuo Mitsui Trust and Banking Company, Limited, Taiyo Life Insurance Company and The Gunma Bank, Ltd.

As a result, the balance of interest-bearing liabilities outstanding as at the end of the 10th Fiscal Period stood at 82,775.625 million yen (long-term loans payable: 74,275.625 million yen; investment corporation bonds: 8,500 million yen). Furthermore, of long-term loans payable, the balance of the current portion of interest-bearing liabilities outstanding stood at 14,258.75 million yen (including 258.75 million yen in contractual repayments).

#### **4.1.3. Overview of Financial Performance and Distributions**

As a result of the management described above, the Investment Corporation posted financial performance for the 10th Fiscal Period of 6,424 million yen in operating revenue, 2,481 million yen in operating income, 1,273 million yen in ordinary income and 1,282million yen in net income.

Concerning distributions, to ensure 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”)), the Investment Corporation decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution amount per unit that are less than 1 yen. Accordingly, the Investment Corporation declared a distribution amount per unit of 3,240 yen.

## 4.2. Outlook for the Next Fiscal Period

### 4.2.1. Future Management Policy and Tasks

#### (a) Strategy for Managing Existing Properties

The tenants' sides are expected to become more selective with properties reflecting the current trend in office rent market. Consequently, the Investment Corporation will carry out operational management under the following policy in an aim to enhance the competitiveness of existing properties and thereby increase the long-term EPS over the medium and long term.

(i) Maintain and raise occupancy rates

Strive to maintain and raise occupancy rates through the provision of office environments of high tenant satisfaction levels by maintaining the quality of buildings and equipment and proactively implementing renovations, etc. of common-use areas and thereby lowering vacancy risks.

(ii) Maintain and raise profitability

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

(iii) Reduce operational management costs

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

#### (b) Strategy for New Property Investments

The Investment Corporation will concentrate its investment in Tokyo, with a particular focus on A Class and B Class buildings in the five central wards of Tokyo, by maintaining a balance with the financing situation and based on various external growth strategies.

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

During the 10th Fiscal Period, the Investment Corporation acquired Kyodo Building (Nishi-shimbashi) and Kyodo Building (Kudan Ichigo-kan), which are situated in the five central wards of Tokyo. The Investment Corporation believes acquisition of these properties will contribute to further stabilization and enhancement of the portfolio, and it will continue to strive to acquire properties that are in line with the investment strategy described above.

#### (c) Financial Strategy

The Investment Corporation will conduct disciplined financial management based on a medium-term financial strategy of the following basic content.

(i) Keep leverage down at a ratio of interest-bearing liabilities levels within the range of 40% to 50% at maximum.

(ii) Diversify maturity dates, targeting 20.0 billion yen as the maximum amount of interest-bearing liabilities that shall become due during any single fiscal period.

(iii) Aim to have long-term loans account for at least 60% to 70% of total loans.

(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.

While the Investment Corporation will continue to conduct disciplined financial management based on the medium-term financial strategy, the ratio of interest-bearing liabilities will be kept down at a conservative level of around 35% at maximum in the 11th Fiscal Period.

The Investment Corporation will also continue to diversify lenders, which shall mainly be Japanese financial institutions.

**4.2.2. Outlook for Management Status**

The Investment Corporation forecasts the following management status for the 11th Fiscal Period (fiscal period ending May 2011 (from December 1, 2010 to May 31, 2011)). For the assumptions underlying the management status forecasts, please refer to the “Assumptions for the Management Status Forecasts for the 11th Fiscal Period and 12th Fiscal Period” on page 6.

Operating revenue	6,650 million yen
Ordinary income	1,300 million yen
Net income	1,298 million yen
Distribution amount per unit	3,280 yen
Distribution amount in excess of earnings per unit	0 yen

In addition, on the basis that the “Assumptions for the Management Status Forecasts for the 11th Fiscal Period and 12th Fiscal Period” will remain unchanged, the Investment Corporation forecasts the following management status for the 12th Fiscal Period (fiscal period ending November 2011 (from June 1, 2011 to November 30, 2011)).

Operating revenue	6,757 million yen
Ordinary income	1,427 million yen
Net income	1,425 million yen
Distribution amount per unit	3,600 yen
Distribution amount in excess of earnings per unit	0 yen

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

**Assumptions for the Management Status Forecasts for the 11th Fiscal Period and 12th Fiscal Period**

Item	Assumptions
Assets under management	<ul style="list-style-type: none"> <li>• 11th Fiscal Period: Assets under management are assumed to be the 33 properties.</li> <li>• 12th Fiscal Period: Assets under management are assumed to be the 33 properties.</li> <li>• It is assumed that there are no changes in the assets under management (new property acquisitions, sale of portfolio properties, etc.) through to the end of the 12th Fiscal Period.</li> <li>• The actual number of properties may vary due to changes in the assets under management.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• Rent revenue from existing properties is calculated based on historical data and taking into account variable factors.</li> <li>• It is assumed that there is no gain (loss) on sales of real estate properties.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Expenses related to rent business, which constitute a major component of operating expenses, are calculated based on historical data and taking into account variable factors.</li> <li>• Repair expenses for buildings are recorded as expenses in the amount expected to be necessary in the respective fiscal period based on the medium- and long-term repair plan established by the Asset Manager.</li> <li>• Operating income from property leasing (excluding gain on sales of real estate properties) after deducting expenses related to rent business (including depreciation) is expected to be 3,343 million yen in the 11th Fiscal Period and 3,457 million yen in the 12th Fiscal Period.</li> <li>• Consignment expenses are expected to be 518 million yen in the 11th Fiscal Period and 453 million yen in the 12th Fiscal Period.</li> <li>• Taxes and dues (fixed property tax, city planning tax, etc.) are expected to be 596 million yen in the 11th Fiscal Period and 599 million yen in the 12th Fiscal Period.</li> <li>• Depreciation is expected to be 1,279 million yen in the 11th Fiscal Period and 1,285 million yen in the 12th Fiscal Period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Non-operating expenses in the 11th Fiscal Period are expected to be 1,245 million yen, of which the interest expenses and borrowing related expenses are expected to be 1,234 million yen.</li> <li>• Non-operating expenses in the 12th Fiscal Period are expected to be 1,228 million yen, of which the interest expenses and borrowing related expenses are expected to be 1,216 million yen.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• The total amount of interest-bearing liabilities is assumed to be 82,650 million yen at the end of the 11th Fiscal Period and 82,516.875 million yen at the end of the 12th Fiscal Period.</li> <li>• The total amount of interest-bearing liabilities in the 11th Fiscal Period is based on the assumption that, of the 2,000 million yen that is to become due for repayment, 2,000 million yen (due by March 18, 2011) will be refinanced in the entire amount. The total amount of interest-bearing liabilities in the 11th Fiscal Period is also based on the assumption that the 125.625 million yen that is to become due for contractual repayment (41.25 million yen due by February 28, 2011; 84.375 million yen due by May 31, 2011) will be repaid using cash reserves.</li> <li>• The total amount of interest-bearing liabilities in the 12th Fiscal Period is based on the assumption that, of the 12,000 million yen that is to become due for repayment, 12,000 million yen (due by March 18, 2011, August 31, 2011, and September 30, 2011) will be refinanced in the entire amount. The total amount of interest-bearing liabilities in the 12th Fiscal Period is also based on the assumption that the 133.125 million yen that is to become due for contractual repayment (41.25 million yen due by August 31, 2011; 7.5 million yen due by September 16, 2011; 84.375 million yen due by November 30, 2011) will be repaid using cash reserves.</li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>• The number of investment units issued and outstanding is assumed to be the 395,798 units issued and outstanding as of the date of submission of this document, and there is assumed to be no additional issuance of investment units through to November 30, 2011.</li> </ul>

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Item	Assumptions
Distribution amount per unit	<ul style="list-style-type: none"> <li>• The distribution amount per unit is calculated based on the cash distribution policy as set out in the articles of incorporation of the Investment Corporation.</li> <li>• The distribution amount per unit may vary depending on a variety of factors, such as changes in the assets under management, changes in the rent revenue due to tenant changes and other causes, and incurrence of unforeseen repairs.</li> </ul>
Distribution amount in excess of earnings per unit	<ul style="list-style-type: none"> <li>• At present, there is no plan to make any distribution in excess of earnings (distribution amount in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• It is assumed that there are no changes to laws and ordinances, the tax system, accounting standards, listing regulations, the rules of The Investment Trusts Association, Japan, etc. that will affect the abovementioned forecast figures.</li> <li>• It is assumed that there will be no major unforeseen changes in general economic trends, real estate market conditions, etc.</li> </ul>

## 5. Financial Statements

### 5.1. Balance Sheets

(Unit: thousand yen)

	9th Fiscal Period [As of May 31, 2010]	10th Fiscal Period [As of Nov 30, 2010]
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	11,290,130	13,191,204
Cash and deposits in trust	4,713,508	5,312,762
Operating accounts receivable	142,101	176,919
Consumption taxes receivable	32,529	119,735
Prepaid expenses	766,103	766,503
Deferred tax assets	22	18
Other	234,103	224,878
Total current assets	17,178,499	19,792,022
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Tools, furniture and fixtures	1,875	4,058
Accumulated depreciation	(1,576)	(1,854)
Tools, furniture and fixtures, net	299	2,204
Other	3,456	3,456
Accumulated depreciation	(3,456)	(3,456)
Other, net	—	—
Buildings in trust	55,023,264	58,527,997
Accumulated depreciation	(8,094,959)	(9,284,724)
Buildings in trust, net	46,928,304	49,243,272
Structures in trust	756,065	779,508
Accumulated depreciation	(59,692)	(69,839)
Structures in trust, net	696,373	709,669
Machinery and equipment in trust	702,855	743,396
Accumulated depreciation	(193,111)	(225,280)
Machinery and equipment in trust, net	509,744	518,116
Tools, furniture and fixtures in trust	41,688	64,513
Accumulated depreciation	(13,076)	(16,678)
Tools, furniture and fixtures in trust, net	28,612	47,835
Other in trust	6,302	6,302
Accumulated depreciation	(6,302)	(6,302)
Other in trust, net	—	—
Land in trust	212,726,823	218,730,714
Construction in progress in trust	11,190	22,408
Total property, plant and equipment	260,901,349	269,274,222
<b>Intangible assets</b>		
Right of trademark	1,517	1,383
Leasehold rights in trust	4,970,290	4,970,290
Other	998	7,047
Total intangible assets	4,972,807	4,978,722
<b>Investments and other assets</b>		
Lease and guarantee deposits in trust	113,684	113,684
Long-term prepaid expenses	654,267	334,655
Other	21,427	18,107
Total investments and other assets	789,379	466,448
Total noncurrent assets	266,663,536	274,719,392
<b>Deferred assets</b>		
Investment corporation bond issuance costs	24,738	51,037
Total deferred assets	24,738	51,037
Total assets	283,866,774	294,562,452



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(Unit: thousand yen)

	9th Fiscal Period [As of May 31, 2010]	10th Fiscal Period [As of Nov 30, 2010]
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	510,812	593,106
Current portion of long-term loans payable	2,258,750	14,258,750
Accounts payable – other	269,094	237,901
Income taxes payable	663	794
Accrued consumption taxes	40,750	28,537
Advances received	652,719	807,721
Other	150,078	176,938
Total current liabilities	3,882,869	16,103,749
<b>Noncurrent liabilities</b>		
Investment corporation bond	3,500,000	8,500,000
Long-term loans payable	66,650,000	60,016,875
Tenant leasehold and security deposits	4,892,275	5,375,088
Tenant leasehold and security deposits in trust	4,075,204	4,496,746
Other	8,980	6,527
Total noncurrent liabilities	79,126,460	78,395,236
Total liabilities	83,009,329	94,498,986
<b>Net Assets</b>		
Unitholders' equity		
Unitholders' capital	198,780,951	198,780,951
Surplus		
Unappropriated retained earnings (undisposed loss)	2,076,493	1,282,514
Total surplus	2,076,493	1,282,514
Total unitholders' equity	200,857,444	200,063,466
Total net assets	200,857,444	200,063,466
Total liabilities and net assets	283,866,774	294,562,452

## 5.2. Statements of Income

(Unit: thousand yen)

	9th Fiscal Period [From: December 1, 2009 To: May 31, 2010]	10th Fiscal Period [From: June 1, 2010 To: November 30, 2010]
Operating revenue		
Rent revenue – real estate	6,610,024	6,374,684
Other lease business revenue	375,937	49,803
Total operating revenue	6,985,961	6,424,488
Operating expenses		
Expenses related to rent business	3,248,661	3,194,661
Asset management fees	560,092	516,632
Asset custody fees	14,251	14,575
Administrative service fees	84,370	83,794
Trust fees	25,567	27,773
Directors' compensation	4,200	4,880
Other operating expenses	89,491	100,667
Total operating expenses	4,026,635	3,942,984
Operating income	2,959,325	2,481,503
Non-operating income		
Interest income	4,791	1,788
Reversal of distribution payable	1,981	1,903
Miscellaneous income	81	1,142
Total non-operating income	6,855	4,834
Non-operating expenses		
Interest expenses	768,933	719,395
Interest expenses on investment corporation bond	–	92,015
Borrowing expenses	420,565	391,405
Other	2,867	9,866
Total non-operating expenses	1,192,366	1,212,683
Ordinary income	1,773,814	1,273,655
Extraordinary income		
Settlements received	45,844	–
Gain on donation of noncurrent assets	257,880	9,713
Total extraordinary income	303,724	9,713
Income before income taxes	2,077,538	1,283,368
Income taxes – current	1,075	986
Income taxes – deferred	(5)	4
Total income taxes	1,069	991
Net income	2,076,468	1,282,377
Retained earnings brought forward	24	137
Unappropriated retained earnings (undisposed loss)	2,076,493	1,282,514