Statement of Financial Performance for the 31st Fiscal Period

From: December 1, 2020
To: May 31, 2021

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1. Management Status and Other Performance Highlights Data

Fiscal Period		31st Period (From Dec. 1, 2020 To May 31,2021)	30th Period (From June 1, 2020 To Nov. 30,2020)	29th Period (From Dec. 1, 2019 To May 31,2020)	28th Period (From June 1, 2019 To Nov. 30, 2019)	27th Period (From Dec. 1, 2018 To May 31, 2019)
(1) Operating Performance	(Millions of yen, except per unit data or where otherwise indicated)					
Operating revenues		15,054	14,849	14,272	14,094	13,833
Rental revenues		13,887	14,482	14,238	13,916	13,628
Operating expenses		6,917	7,133	6,959	6,980	6,853
Property-related expenses		5,454	5,696	5,540	5,584	5,479
Operating income		8,137	7,715	7,312	7,114	6,979
Ordinary income		7,550	7,125	6,688	6,463	6,320
Net income		7,549	7,124	6,687	6,462	6,320
(2) Properties, etc. (as of end of period)						
Total assets		484,310	488,570	487,212	486,030	485,636
[period-on-period percentage changes]		[–0.9%]	[+0.3%]	[+0.2%]	[+0.1%]	[+1.3%]
Interest-bearing liabilities		203,350	204,450	204,450	204,450	204,450
Net assets		253,522	255,511	255,127	254,892	254,460
[period-on-period percentage changes]		[–0.8%]	[+0.2%]	[+0.1%]	[+0.2%]	[+0.1%]
Unitholders' capital, net	Note 2	245,093	247,876	247,876	247,876	247,876
(3) Distributions						
Total distribution amount		6,833	6,796	6,687	6,462	6,177
Dividend payout		90.5%	95.4%	100.0%	100.0%	97.8%
(4) Per Unit Information						
Total number of units issued (units)		488,088	491,877	491,877	491,877	491,877
Net assets per unit (yen)		519,419	519,462	518,681	518,203	517,324
Distribution per unit (yen)		14,000	13,817	13,595	13,139	12,559
Distribution amount from earnings per unit (yen)		14,000	13,817	13,595	13,139	12,559
Distribution amount in excess of earnings per unit (yen)		–	–	–	–	–
(5) Financial Indicators						
ROA	Notes 3 and 4	1.6%	1.5%	1.4%	1.3%	1.3%
[annual rate]		[3.1%]	[2.9%]	[2.7%]	[2.7%]	[2.6%]
ROE	Notes 4 and 5	3.0%	2.8%	2.6%	2.5%	2.5%
[annual rate]		[5.9%]	[5.6%]	[5.2%]	[5.1%]	[5.0%]
Capital ratio		52.3%	52.3%	52.4%	52.4%	52.4%
[period-on-period percentage changes]		[+0.0%]	[–0.1%]	[–0.1%]	[+0.0%]	[–0.6%]
LTV (loan to value)		42.0%	41.8%	42.0%	42.1%	42.1%
Property leasing cash flows (NOI)	Note 6	10,248	10,612	10,536	10,157	9,962
(6) Other Referential Information						
Number of investment properties		59	60	60	59	59
Number of tenants	Note 7	625	629	645	637	639
Total rentable area (m^2)		360,471.93	363,740.62	366,336.34	364,787.57	364,375.19
Occupancy rate	Note 8	97.5%	98.9%	99.5%	99.1%	97.1%
Depreciation		1,816	1,827	1,838	1,826	1,813
Capital expenditures		436	802	489	1,351	471

(Note 1) Operating revenues, etc. do not include consumption taxes, etc.
(Note 2) Unitholders' capital, net: Unitholders' capital – Deduction from Unitholders' Capital
(Note 3) ROA: Ordinary income ÷ [(Total assets at beginning of period + Total assets at end of period) ÷ 2] × 100
(Note 4) Figures for the 27th Fiscal Period are the annualized figures calculated based on 182 days of management.
Figures for the 28th Fiscal Period are the annualized figures calculated based on 183 days of management.
Figures for the 29th Fiscal Period are the annualized figures calculated based on 183 days of management.
Figures for the 30th Fiscal Period are the annualized figures calculated based on 183 days of management.
Figures for the 31st Fiscal Period are the annualized figures calculated based on 182 days of management.
(Note 5) ROE: Net income ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100
(Note 6) Property leasing cash flows (NOI): Rental revenues – Property-related expenses + Depreciation
(Note 7) Number of tenants is the number of end tenants. When there is a tenant occupying multiple buildings, the concerned tenant is counted and stated for each individual building.
(Note 8) Occupancy rate: Total leased area ÷ Total rentable area

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

(1) Brief History of the Investment Corporation

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

Though initial assets under management were 79,573 million yen (sum total of acquisition price), subsequent activities, such as additional acquisition of properties and replacement of portfolio properties, resulted in the assets under management amounting to 461,418 million yen as of the last day of May 2021.

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 2,000m^2 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 saw the decline mainly in personal spending and the negative growth in the real GDP growth rate (Second Preliminary Estimates) for January to March 2021 sitting at an annual rate of -3.9% due to the impact of the Japanese government's repeated declaration of a state of emergency with the resurgence of COVID-19.

In the office building leasing market in central Tokyo, the vacancy rate had continued to be on an improving trend since June 2013, but office consolidations and relocations to smaller offices due to future economic uncertainties and deterioration in business performance stemming from the spread of COVID-19 and other reasons have led to contract cancellations and such, resulting in the vacancy rate rising to 5.90% at the end of May 2021. Office rent had continued to rise, albeit slightly, but turned to a downward trend after peaking in July 2020.

For the office building transaction market, a strong appetite for property acquisitions continued among real estate companies, funds (including J-REITs) and overseas investors with the continuing proactive lending attitude by financial institutions, and there has been no material impact of COVID-19. 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, DOI's first development project, "Nihonbashi-Bakurocho 1-Chome Development Project," for which the development site was acquired in November 2020, is steadily underway. In addition, DOI divested "Daiwa Kyobashi" (sale price: 4,200 million yen) in December 2020. As a result, DOI's assets under management as of the end of the 31st Fiscal Period (May 31, 2021) totaled 59 properties, the sum total of acquisition prices of which amounted to 461,418 million yen.

Concerning internal growth, DOI conducted proactive leasing, such as capturing needs for floor expansion within the same property through strengthening relationships with existing tenants and reinforcing collaboration with leasing brokers and property managers. Consequently, the occupancy rate as of the end of the 31st Fiscal Period (May 31, 2021) was 97.5%.

(3) Overview of Capital Procurement

(A) Procurement of Capital for Repayment of Borrowings

In the 31st Fiscal Period, DOI made the following borrowings to fund the repayment of borrowings.

(i) DOI took out loans of 2,000 million yen in total from Sumitomo Mitsui Trust Bank, Ltd. and Momiji Bank, Ltd. on February 26, 2021, to fund the repayment of the same amount borrowed from Sumitomo Mitsui Trust Bank, Ltd. and The Higashi-Nippon Bank, Ltd. that was due for repayment on the same day.

(ii) DOI took out loans of 13,800 million yen in total from Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., Resona Bank, Limited and MUFG Bank, Ltd. on March 31, 2021, to fund the following:

- Repayment of 12,300 million yen in total borrowed from Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. and Resona Bank, Limited that was due for repayment on the same day
- Early repayment of a short-term loan of 1,500 million yen borrowed from MUFG Bank, Ltd. due for repayment on August 31, 2021

(iii) DOI took out loans of 3,400 million yen in total from Sumitomo Mitsui Banking Corporation, Shinsei Bank, Ltd. and The 77 Bank, Ltd. on May 31, 2021 to fund the repayment of the same amount borrowed from the same banks that was due for repayment on the same day.

DOI concluded interest-rate swap agreements in the 31st Fiscal Period for 9,400 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 31st Fiscal Period (May 31, 2021) stood at 203,350 million yen in total (short-term loans payable: 2,400 million yen; long-term loans payable: 191,950 million yen; investment corporation bonds: 9,000 million yen). The balance of the current portion of long-term loans payable stood at 21,500 million yen.

The average remaining period of interest-bearing liabilities as of the end of the 31st Fiscal Period stands at 4.2 years.

(4) Capital Expenditures during the 31st Fiscal Period

The following summarizes the primary construction work that constitutes capital expenditures implemented during the 31st Fiscal Period for existing portfolio properties. Capital expenditures for the 31st Fiscal Period amounted to 436 million yen and, when combined with the 583 million yen in repair expenses charged to the 31st Fiscal Period expenses, totals 1,020 million yen in construction work implemented.

Name of real estate properties (Location)	Purpose	Period	Construction amount paid (Millions of yen)
Daiwa Tsukishima (Chuo-ku, Tokyo)	Upgrading of air-conditioning drain	From: Dec. 2020 To: Apr. 2021	50
Daiwa Akasaka (Minato-ku, Tokyo)	Construction work for furnished office on 1F	From: Apr. 2021 To: May 2021	43
Daiwa River Gate (Chuo-ku, Tokyo)	Renovation of power receiving and transforming facility	From: May 2021 To: May 2021	23
Other			318
Total			436

(5) Overview of Financial Performance and Distributions

As a result of the management described above, DOI posted financial performance for the 31st Fiscal Period of 15,054 million yen in operating revenue, 8,137 million yen in operating income, 7,550 million yen in ordinary income and 7,549 million yen in net income.

Concerning distributions, it is planned that the amount equivalent to distributions from earnings would be included in the amount of tax-deductible expenses based on application of special provisions for taxation of corporation tax (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (the "Special Taxation Measures Act")). Accordingly, retaining 716,665,400 yen from application of "Special Provisions for Taxation in Cases of Repurchase of Specified Assets" (Article 65-7 of the Special Taxation Measures Act) as reserve for reduction entry, DOI decided to distribute the entire amount remaining after deducting provision of reserve for reduction entry from unappropriated retained earnings (excluding fractions of the distribution amount per unit that are less than 1 yen), and declared a distribution amount per unit of 14,000 yen.

3. Outlook for the Next Fiscal Period

(1) Investment Environment

Although it continues to hover at low levels due to the impact of COVID-19 for the time being, the Japanese economy going forward is expected to head toward recovery with vaccinations and other measures to contain the spread of COVID-19 leading to normalization of economic activities. Nevertheless, since the Japanese economy may slow down due to prolongation of the COVID-19 pandemic (spread of highly contagious variants, delay in vaccination rollout, etc.), interest rate trends and other factors. Accordingly, careful attention is required.

In the Tokyo office building leasing market, although recovery is expected with normalization of economic activities going forward, developments in office consolidations and relocations to smaller offices triggered by COVID-19 leading to the vacancy rate rising and rent dropping moderately mainly in central Tokyo continue to warrant close monitoring.

In the office building transaction market, backed by the favorable financing environment, among other factors, the property acquisition appetite among overseas investors, real estate companies and funds (including J-REITs) is thought to remain strong. However, the prolongation of the COVID-19 pandemic, interest rate trends and other factors may impact future developments in the transaction market.

(2) Future Management Policy and Tasks

(A) Strategy for Managing Existing Properties

As to macro trends for the office market, the impact of moves by large companies occupying prime office buildings to consolidate to a head office by canceling contracts for surrounding medium-scale office buildings and other increases in contract cancellations are thought to continue partly due to prolongation of the impact of COVID-19. At present, although moves for large office space are weak, DOI is managing to proceed with leasing by setting flexible terms and conditions and secure slight increases in rent upon tenant replacement. Going forward, needs for offices are likely to vary for companies in line with the diversification of work styles and places. Therefore, 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 2,000m^2 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 its 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 Asset Manager and Sponsor Group and utilizing the Group's extensive network of clients, partners, etc.

(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 31st 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
Shinjuku Maynds Tower (Shibuya-ku, Tokyo)	Renovation of air-conditioning facilities	From: June 2021 To: Nov. 2021	51	–	–
Daiwa Kayabacho (Chuo-ku, Tokyo)	Addition of humidifiers	From: June 2021 To: Nov. 2021	48	–	–
Daiwa Minami-Aoyama (Minato-ku, Tokyo)	Upgrading of air-conditioning facilities	From: June 2021 To: Nov. 2021	33	–	–
CONCURRED Yokohama (Yokohama-shi, Kanagawa)	Renovation of exterior walls	From: June 2021 To: Nov. 2021	29	–	–
Daiwa Ginza (Chuo-ku, Tokyo)	Upgrading of private power generation facilities	From: June 2021 To: Nov. 2021	21	–	–

II. Balance Sheets

As of May 31, 2021 and November 30, 2020

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Assets		
Current Assets:		
Cash and cash equivalents (Notes 3 and 4)	32,211,634	31,850,409
Tenant receivables	195,627	367,681
Prepaid expenses	357,076	334,706
Other current assets	83,509	70,120
Total Current Assets	32,847,848	32,622,918
Investment Properties, at cost (Notes 5 and 6):		
Land	12,302,226	12,302,226
Buildings and structures	3,312,516	3,302,055
Tools, furniture and fixtures	20,847	20,207
Construction in progress	3,786	4,555
Land in trust accounts (Note 14)	353,434,357	356,251,046
Buildings and structures in trust accounts (Note 13 and 14)	109,268,116	109,697,467
Machinery and equipment in trust accounts	884,250	893,239
Tools, furniture and fixtures in trust accounts	333,390	315,131
Construction in progress in trust accounts	50,081	33,446
Less: accumulated depreciation	(32,219,362)	(30,924,452)
Leasehold rights	2,398,275	2,398,275
Leasehold rights in trust accounts	306,884	306,884
Total Investment Properties, net	450,095,371	454,600,083
Investments and Other Assets:		
Trademark	52	107
Lease and guarantee deposits in trust accounts	113,684	113,684
Long-term prepaid expenses	1,098,268	1,051,039
Deferred tax assets (Note 15)	–	16,150
Derivative assets (Note 4)	3,956	–
Deferred investment corporation bond issuance costs	54,391	59,395
Others	96,758	107,144
Total Investments and Other Assets	1,367,112	1,347,522
Total Assets	484,310,332	488,570,524

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

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Liabilities		
Current Liabilities:		
Accounts payable	924,290	1,673,045
Short-term debt (Notes 4 and 10)	2,400,000	3,600,000
Long-term debt due within one year (Notes 4 and 10)	21,500,000	24,200,000
Accounts payable – other	634,448	672,515
Income taxes payable	888	723
Accrued consumption taxes	335,635	312,827
Rent received in advance	2,366,227	2,453,412
Other current liabilities	573,944	608,779
Total Current Liabilities	28,735,434	33,521,303
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 10)	9,000,000	9,000,000
Long-term debt (Notes 4 and 10)	170,450,000	167,650,000
Tenant security deposits including trust accounts (Note 4)	22,215,041	22,450,275
Deferred tax liabilities (Note 15)	2,240	–
Derivative liabilities (Note 4)	210,647	257,802
Other long-term liabilities	174,578	179,599
Total Long-Term Liabilities	202,052,507	199,537,677
Total Liabilities	230,787,942	233,058,980
Net Assets (Notes 8 and 16)		
Unitholders' Equity:		
Unitholders' capital	251,551,759	251,551,759
Units authorized: 2,000,000 units		
Units issued and outstanding: 488,088 units as of May 31, 2021 and 491,877 units as of November 30, 2020		
Deduction from unitholders' capital	(6,458,395)	(3,675,523)
Unitholders' capital, net	245,093,364	247,876,236
Reserve for reduction entry	1,038,691	710,209
Retained earnings	7,549,897	7,124,746
Total Unitholders' Equity	253,681,953	255,711,192
Valuation and translation adjustments		
Deferred gains or losses on hedges	(159,563)	(199,648)
Total valuation and translation adjustments	(159,563)	(199,648)
Total Net Assets	253,522,389	255,511,543
Total Liabilities and Net Assets	484,310,332	488,570,524

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

For the fiscal periods ended May 31, 2021 and November 30, 2020

(Thousands of yen)

	For the fiscal period ended May 31, 2021	For the fiscal period ended November 30, 2020
Operating Revenues:		
Rental revenues (Note 7)	13,887,151	14,482,210
Other revenues related to property leasing (Note 7)	140,695	31,325
Gain on sale of investment properties (Note 12)	1,026,965	336,387
Total Operating Revenues	15,054,812	14,849,922
Operating Expenses:		
Property-related expenses (Note 7)	5,454,733	5,696,598
Asset management fees	1,188,807	1,199,825
Asset custody fees	24,303	24,324
Administrative service fees	73,343	79,286
Trust fees	18,786	19,536
Directors' compensation	7,200	7,200
Other operating expenses	150,049	107,151
Total Operating Expenses	6,917,224	7,133,923
Operating Income	8,137,588	7,715,998
Non-Operating Revenues:		
Interest income	15	17
Reversal of distribution payable	624	623
Insurance income	2,622	14,706
Other non-operating revenues	2,042	220
Total Non-Operating Revenues	5,304	15,567
Non-Operating Expenses:		
Interest expense	419,271	450,182
Interest expense on investment corporation bonds	26,276	20,796
Borrowing expenses	135,066	130,096
Other non-operating expenses	11,499	5,319
Total Non-Operating Expenses	592,113	606,394
Ordinary Income	7,550,779	7,125,172
Income Before Income Taxes	7,550,779	7,125,172
Income taxes – current	889	725
Income taxes – deferred	(7)	13
Total Income Taxes (Note 15)	882	738
Net Income	7,549,897	7,124,433
Retained Earnings Brought Forward	–	313
Retained Earnings at End of Period	7,549,897	7,124,746

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

IV. Statements of Changes in Net Assets

For the fiscal periods ended May 31, 2021 and November 30, 2020

(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	Treasury Investment Units		
Balance as of May 31, 2020	491,877	251,551,759	(3,675,523)	247,876,236	710,209	6,687,380	–	(146,523)	255,127,303
Cash distributions declared	–	–	–	–	–	(6,687,067)	–	–	(6,687,067)
Net income	–	–	–	–	–	7,124,433	–	–	7,124,433
Net changes of items other than unitholders' equity	–	–	–	–	–	–	–	(53,125)	(53,125)
Balance as of November 30, 2020	491,877	251,551,759	(3,675,523)	247,876,236	710,209	7,124,746	–	(199,648)	255,511,543
Cash distributions declared	–	–	–	–	–	(6,796,264)	–	–	(6,796,264)
Net income	–	–	–	–	–	7,549,897	–	–	7,549,897
Provision of reserve for reduction entry	–	–	–	–	328,482	(328,482)	–	–	–
Acquisition of treasury investment units	–	–	–	–	–	–	(2,782,872)	–	(2,782,872)
Cancellation of treasury investment units (Note 9)	(3,789)	-	(2,782,872)	(2,782,872)	–	–	2,782,872	–	–
Net changes of items other than unitholders' equity	–	–	–	–	–	–	–	40,085	40,085
Balance as of May 31, 2021	488,088	251,551,759	(6,458,395)	245,093,364	1,038,691	7,549,897	–	(159,563)	253,522,389

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

V. Statements of Cash Flows

For the fiscal periods ended May 31, 2021 and November 30, 2020

(Thousands of yen)

	For the fiscal period ended May 31, 2021	For the fiscal period ended November 30, 2020
Cash Flows from Operating Activities:		
Income before income taxes	7,550,779	7,125,172
Depreciation and amortization	1,819,933	1,830,601
Amortization of bond issuance costs	5,003	3,818
Interest expense	445,547	470,979
Decrease (increase) in tenant receivables	172,053	(102,235)
(Decrease) increase in accounts payable	(274,083)	413,565
(Decrease) increase in rent received in advance	(87,185)	112,238
Interest payments	(445,419)	(471,840)
Increase (decrease) in accrued consumption taxes	22,808	(80,541)
Decrease due to sale of investment properties in trust accounts	3,130,260	2,103,922
Other, net	1,154	91,707
Net Cash Provided by Operating Activities	**12,340,850**	**11,497,387**
Cash Flows from Investing Activities:		
Payments for purchases of investment properties including trust accounts	(1,066,094)	(4,337,926)
Proceeds from tenant security deposits including trust accounts	932,619	780,704
Refunds of tenant security deposits including trust accounts	(1,167,853)	(722,354)
Net Cash Used in Investing Activities	**(1,301,328)**	**(4,279,576)**
Cash Flows from Financing Activities:		
Proceeds from short-term debt	2,400,000	2,500,000
Repayments of short-term debt	(3,600,000)	(3,900,000)
Proceeds from long-term debt	16,800,000	14,100,000
Repayments of long-term debt	(16,700,000)	(16,600,000)
Proceeds from issuance of investment corporation bonds	–	3,868,783
Payments for acquisition of treasury investment units	(2,782,872)	–
Distributions paid	(6,795,425)	(6,685,886)
Net Cash Used in Financing Activities	**(10,678,297)**	**(6,717,103)**
Net Change in Cash and Cash Equivalents	361,225	500,707
Cash and Cash Equivalents at Beginning of Period	31,850,409	31,349,701
Cash and Cash Equivalents at End of Period (Note 3)	**32,211,634**	**31,850,409**

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

For the fiscal periods ended May 31, 2021 and November 30, 2020

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 May 31, 2021, DOI had ownership or trust beneficiary interests in 59 office properties with approximately 360,471m^2 of rentable office space and had leased office space to 625 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.5 %.

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 May 31, 2021	As of November 30, 2020
Buildings and structures	2-64 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.

The following is a summary of capitalized real estate taxes.

(Thousands of yen)

	For the fiscal period ended May 31, 2021	For the fiscal period ended November 30, 2020
Capitalized real estate taxes	–	1,113

(f) Consumption Taxes

Consumption taxes are excluded from transaction amounts. Generally, consumption taxes paid are offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld is included in the current assets while the excess of amounts withheld over payments is included in the current liabilities. 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. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated.

(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) Changes in Presentation

"Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan ("ASBJ") Statement No. 31, March 31, 2020) has been applied from the fiscal period ended May 31, 2021. Notes regarding accounting estimates are disclosed in "Notes to Financial Statements." However, in accordance with the transitional treatment as stipulated in the proviso of Paragraph 11 of the Accounting Standard, there is no information to be disclosed for the six months ended November 30, 2020.

(k) Accounting Estimates

Impairment of long-lived assets

Amount of investment properties recorded on the financial statements were as follows:

(Thousands of yen)

	As of May 31, 2021
Tangible fixed assets	447,390,211
Intangible fixed assets	2,711,464

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

(l) New Accounting Standards Issued But Not Yet Effective

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 26, 2021)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(a) Overview

The International Accounting Standard Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition, and issued "Revenue from Contracts with Customers" (IFRS 15, issued by IASB and Topic 606, issued by FASB) in May 2014.

Considering the situation that IFRS 15 is effective for the fiscal periods beginning on or after January 1, 2018 and Topic 606 is effective for the fiscal periods beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with the implementation guidance. ASBJ's basic policy developing the accounting standard for revenue recognition was to establish accounting standards as a starting point by incorporating the basic principles of IFRS 15 from the viewpoint of comparability of financial statements which is one of benefits of maintaining consistency with IFRS 15, and to add alternative treatments to the extent that they do not impair comparability in cases where previous practices and others in Japan should be considered.

(b) Date of adoption

DOI will adopt the accounting standard and the implementation guidance from the beginning of the six-month period ending November 30, 2021.

(c) Impact of the adoption of the respective accounting standard

DOI is currently evaluating the impact of the adoption of the standard and guidance on financial statements.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(a) Overview

Given the fact that the IASB and the FASB have issued detailed guidance providing substantially similar requirements (IFRS 13 Fair Value Measurement and US Accounting Standards Codification Topic 820 Fair Value Measurement) for the measurement of fair value, the ASBJ has made efforts to achieve the consistency of Japanese accounting standards related to the measurement of fair value of financial instruments and related disclosures with such global accounting standards, which resulted in the issuance of ASBJ Statement No. 30 Accounting Standards for Fair Value Measurement, etc. The ASBJ has decided to incorporate all of the requirements provided by IFRS 13 in order to improve the comparability of financial statements of entities in and out of Japan by adopting consistent methods as part of its basic policy in developing accounting standards for the measurement of fair value. Also, the standards are designed to provide interpretations for certain individual issues and topics in light of the practices implemented in Japan to date, provided that the comparability of financial statements is not significantly reduced.

(b) Date of adoption

DOI will adopt the accounting standards and the implementation guidance from the beginning of the six-month period ending November 30, 2021.

(c) Impact of the adoption of the respective accounting standard

DOI is currently evaluating the impact of the adoption of the standards and guidance on financial statements.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents stated on the accompanying balance sheets and statements of cash flows as of May 31, 2021 and November 30, 2020 consisted of the following:

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Cash and deposits	28,515,172	28,137,822
Cash and deposits in trust accounts	3,696,461	3,712,586
Cash and cash equivalents	32,211,634	31,850,409

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 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

The fair value of financial instruments is based on their quoted market price. When there is no quoted market price available, fair value is reasonably estimated. 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 May 31, 2021 and November 30, 2020 were as follows:

(Thousands of yen)

	As of May 31, 2021			As of November 30, 2020		
Assets	**Book value**	**Fair value**	**Difference**	**Book value**	**Fair value**	**Difference**
Cash and cash equivalents	32,211,634	32,211,634	–	31,850,409	31,850,409	–
Total	32,211,634	32,211,634	–	31,850,409	31,850,409	–
Liabilities						
Short-term debt	2,400,000	2,400,000	–	3,600,000	3,600,060	60
Long-term debt due within one year	21,500,000	21,523,879	23,879	24,200,000	24,203,301	3,301
Investment corporation bonds	9,000,000	8,979,070	(20,930)	9,000,000	8,974,990	(25,010)
Long-term debt	170,450,000	170,268,022	(181,977)	167,650,000	167,717,967	67,967
Total	203,350,000	203,170,972	(179,027)	204,450,000	204,496,319	46,319
Derivative transactions (*)	(232,803)	(232,803)	–	(291,287)	(291,287)	–

(*) 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.

The financial instruments whose fair value is deemed extremely difficult to determine are excluded from the above table (See Note 2 below).

Notes:

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

Assets:

Cash and cash equivalents

Due to the short maturities, the book value of these assets is deemed a reasonable approximation of the fair value.

Liabilities:

(1) Short-term debt, long-term debt due within one year and long-term debt

For short-term debt and 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 short-term debt and 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.

(2) Investment corporation bonds

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

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 May 31, 2021		
			Contracted amount		Fair value (*1)
			Total	Due after one year	
Deferral hedge accounting method	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	99,800,000	82,800,000	(232,803)
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	20,500,000	20,500,000	– (*2)
			120,300,000	103,300,000	(232,803)

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Hedged item	As of November 30, 2020		
			Contracted amount		Fair value (*1)
			Total	Due after one year	
Deferral hedge accounting method	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	116,500,000	93,300,000	(291,287)
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term debt	11,100,000	11,100,000	– (*2)
			127,600,000	104,400,000	(291,287)

(*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. Financial instruments whose fair value is deemed extremely difficult to determine

Tenant security deposits including trust accounts (whose book values were 22,215,041 thousand yen and 22,450,275 thousand yen as of May 31, 2021 and November 30, 2020, respectively) that have been deposited by tenants were excluded from the scope of fair value disclosure because they are not marketable, and the actual deposit period is not estimable, which in turn makes it difficult to reasonably estimate the future cash flows.

3. Redemption schedule for monetary claims

(Thousands of yen)

As of May 31, 2021	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
Cash and cash equivalents	32,211,634	–	–	–	–	–
Total	32,211,634	–	–	–	–	–

(Thousands of yen)

As of November 30, 2020	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
Cash and cash equivalents	31,850,409	–	–	–	–	–
Total	31,850,409	–	–	–	–	–

4. Redemption schedule for short-term debt, investment corporation bonds and long-term debt

(Thousands of yen)

As of May 31, 2021	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
Short-term debt	2,400,000	–	–	–	–	–
Investment corporation bonds	–	–	–	3,800,000	1,500,000	3,700,000
Long-term debt	21,500,000	30,600,000	25,600,000	27,350,000	20,700,000	66,200,000
Total	23,900,000	30,600,000	25,600,000	31,150,000	22,200,000	69,900,000

(Thousands of yen)

As of November 30, 2020	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
Short-term debt	3,600,000	–	–	–	–	–
Investment corporation bonds	–	–	–	3,800,000	1,500,000	3,700,000
Long-term debt	24,200,000	31,600,000	26,200,000	24,300,000	20,550,000	65,000,000
Total	27,800,000	31,600,000	26,200,000	28,100,000	22,050,000	68,700,000

Note 5 – Tangible Fixed Assets of Investment Properties

Investment properties as of May 31, 2021 and November 30, 2020 consisted of the following:

(Thousands of yen)

	As of May 31, 2021			As of November 30, 2020		
	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	3,312,516	(2,617,068)	695,448	3,302,055	(2,543,896)	758,158
Tools, furniture and fixtures	20,847	(15,075)	5,771	20,207	(14,149)	6,057
Construction in progress	3,786	–	3,786	4,555	–	4,555
Land in trust accounts	353,434,357	–	353,434,357	356,251,046	–	356,251,046
Buildings and structures in trust accounts	109,268,116	(28,874,659)	80,393,456	109,697,467	(27,665,151)	82,032,316
Machinery and equipment in trust accounts	884,250	(512,570)	371,680	893,239	(509,450)	383,788
Tools, furniture and fixtures in trust accounts	333,390	(199,989)	133,400	315,131	(191,804)	123,326
Construction in progress in trust accounts	50,081	–	50,081	33,446	–	33,446
Total	479,609,573	(32,219,362)	447,390,211	482,819,375	(30,924,452)	451,894,923

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 May 31, 2021	For the fiscal period ended November 30, 2020
Book value: (Note 1)		
Balance at beginning of period	454,562,081	453,876,951
Change during the period (Note 2)	(4,520,578)	685,129
Balance at end of period	450,041,503	454,562,081
Fair value (Note 3)	572,160,000	573,850,000

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

(Note 2) Significant changes
For the fiscal period ended May 31, 2021, the major reason for the decrease is disposition of "Daiwa Kyobashi Building" (3,130,260 thousand yen) and depreciation (1,816,503 thousand yen). For the fiscal period ended November 30, 2020, the major reason for the increase is acquisition of "Nihonbashi-Bakurocho 1-Chome Development Site (land)" (3,775,000 thousand yen). The major reason for the decrease is disposition of "Daiwa Shimbashi 510 Building" (2,103,922 thousand yen) and depreciation (1,827,171 thousand yen).

(Note 3) The fair values as of May 31, 2021 and November 30, 2020 were determined by the sum of appraisal values provided by external real estate appraisers.

Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the fiscal periods ended May 31, 2021 and November 30, 2020 were as follows:

(Thousands of yen)

	For the fiscal period ended May 31, 2021	For the fiscal period ended November 30, 2020
Revenues from property leasing:		
Rental revenues	13,887,151	14,482,210
Other revenues related to property leasing	140,695	31,325
Total revenues from property leasing	14,027,847	14,513,535
Rental expenses:		
Consignment expenses	1,036,453	1,019,499
Utilities expenses	774,452	915,742
Taxes and dues	1,145,554	1,169,520
Insurance expenses	19,940	19,990
Repair expenses	583,977	670,253
Depreciation	1,816,503	1,827,171
Other	77,850	74,421
Total rental expenses	5,454,733	5,696,598
Income from property leasing	8,573,113	8,816,936

Note 8 – 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 9 – Treasury Investment Units

Cancellation of treasury investment units as of May 31, 2021 and November 30, 2020 were as follows.

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Total number of treasury investment units cancelled (units)	9,781	5,992
Total amount of cancellation	6,458,395	3,675,523

Total number of treasury investment units cancelled and total amount of cancellation during the fiscal period ended May 31, 2021 were 3,789 units and 2,782,872 thousand yen, respectively.

Note 10 – 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 May 31, 2021 and November 30, 2020 consisted of the following:

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
0.3% unsecured short-term loans due 2022, principally from banks	2,400,000	3,600,000
Total	2,400,000	3,600,000
Unsecured loans due 2021 to 2031, principally from banks and insurance companies with interest rates mainly ranging from 0.1% to 0.8%	191,950,000	191,850,000
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
Total	200,950,000	200,850,000

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

The annual maturities of short-term debt, long-term debt and investment corporation bonds as of May 31, 2021 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
Short-term debt, long-term debt and investment corporation bonds	23,900,000	30,600,000	25,600,000	31,150,000	22,200,000	69,900,000

Note 11 – Leases

As Lessor

The future minimum rental revenues under existing non-cancelable operating leases as of May 31, 2021 and November 30, 2020 were as follows:

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Due within one year	9,486,733	9,404,348
Due after one year	17,694,040	15,085,262
Total	27,180,774	24,489,611

Note 12 – Gain on Sale of Investment Properties

Gain on sale of investment properties for the fiscal period ended May 31, 2021 was as follows:

(Thousands of yen)

	For the fiscal period ended May 31, 2021
Daiwa Kyobashi Building:	
Proceeds from sale of investment property	4,200,000
Cost of selling investment property	(3,130,260)
Other expenses related to sale	(42,774)
Gain on sale of investment property	1,026,965

Gain on sale of investment properties for the fiscal period ended November 30, 2020 was as follows:

(Thousands of yen)

	For the fiscal period ended November 30, 2020
Daiwa Shimbashi 510 Building:	
Proceeds from sale of investment property	2,530,000
Cost of selling investment property	(2,103,922)
Other expenses related to sale	(89,690)
Gain on sale of investment property	336,387

Note 13 – Reduction of Investment Properties Purchased with Government Subsidies

Government subsidies of 32,898 thousand yen were deducted from the acquisition cost of the buildings in trust as of May 31, 2021 and November 30, 2020.

Note 14 – 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 May 31, 2021 and November 30, 2020.

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Buildings and structures in trust accounts	182,846	182,846
Land in trust accounts	887,074	887,074
Total	1,069,921	1,069,921

Note 15 – 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 May 31, 2021	For the fiscal period ended November 30, 2020
Statutory tax rate	31.46	31.46
Deductible cash distributions	(28.47)	(30.01)
Provision of reserve for reduction entry	(2.99)	(1.45)
Others	0.01	0.01
Effective tax rate	0.01	0.01

The significant components of deferred tax assets and liabilities as of May 31, 2021 and November 30, 2020 were as follows:

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2020
Deferred tax assets:		
Accrued enterprise tax	13	5
Deferred losses on hedges	74,484	91,639
Total deferred tax assets	74,498	91,644
Deferred tax liabilities:		
Reserve for reduction entry	75,494	75,494
Deferred gains on hedges	1,244	–
Total deferred tax liabilities	76,738	75,494
Net deferred tax (liabilities) assets	(2,240)	16,150

Note 16 – Per Unit Information

Information about earnings per unit for the fiscal periods ended May 31, 2021 and November 30, 2020, net assets per unit as of May 31, 2021 and November 30, 2020 were as follows:

(Yen)

	For the fiscal period ended May 31, 2021	For the fiscal period ended November 30, 2020
Earnings per Unit:		
Net income per unit	15,412	14,484
Weighted average number of units outstanding (units)	489,860	491,877

(Yen)

	As of May 31, 2021	As of November 30, 2020
Net Assets per Unit	519,419	519,462

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 17 – 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. Therefore, the total amount of dividends that DOI has determined to pay out is 6,833,232,000 yen for the fiscal period ended May 31, 2021 and 6,796,264,509 yen for the fiscal period ended November 30, 2020 that are the largest integral multiple of 488,088, the number of units outstanding as of May 31, 2021 and 491,877 as of November 30, 2020, after deducting 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 May 31, 2021	For the fiscal period ended November 30, 2020
I	Unappropriated retained earnings	7,549,897,400	7,124,746,976
II	Cash distributions declared	6,833,232,000	6,796,264,509
III	Voluntary reserves Provision of reserve for reduction entry	716,665,400	328,482,467
IV	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 May 31, 2021	For the fiscal period ended November 30, 2020
Cash distributions per unit	14,000	13,817
Board of directors meeting dates	July 19, 2021	January 20, 2021

Note 18 – Related-Party Transactions

No related-party transaction was entered into for the fiscal periods ended May 31, 2021 and November 30, 2020.

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 19 – Segment Information

For the fiscal periods ended May 31, 2021 and November 30, 2020

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 20 – Significant Subsequent Events

Not applicable.

Independent Auditor's Report

To the Board of Directors of
Daiwa Office Investment Corporation:

Opinion

We have audited the accompanying financial statements of Daiwa Office Investment Corporation ("the Investment Corporation"), which comprise the balance sheets as at May 31, 2021 and November 30, 2020, 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 May 31, 2021 and November 30, 2020, 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.

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 managing directors' performance of their 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.

KPMG

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 managing directors 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 managing directors 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, related safeguards.

KPMG

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.

Seiki Miyata

Designated Engagement Partner

Certified Public Accountant

Kazuo Uchida

Designated Engagement Partner

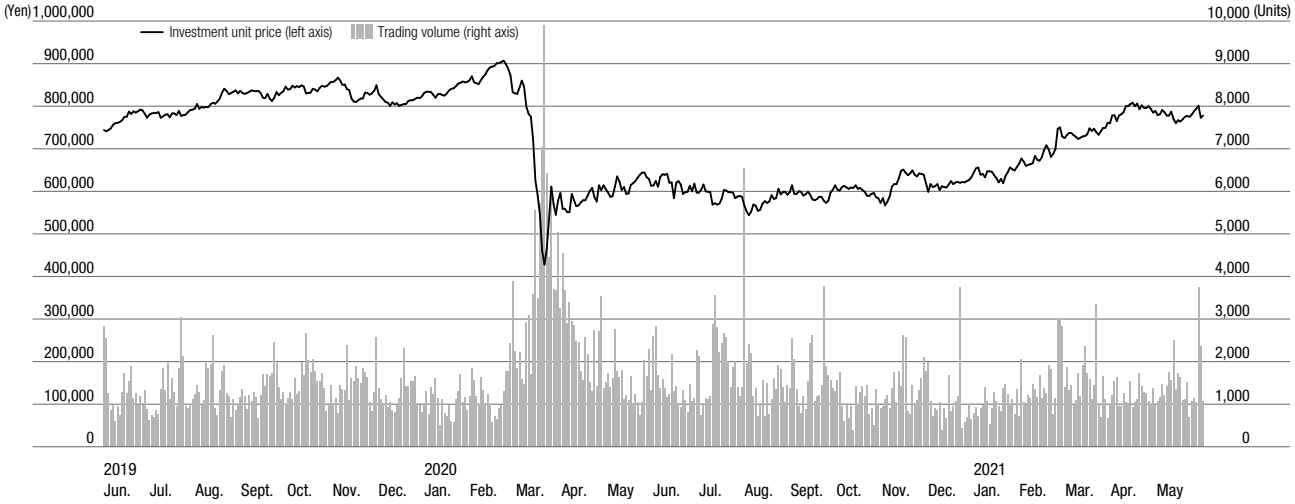
Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

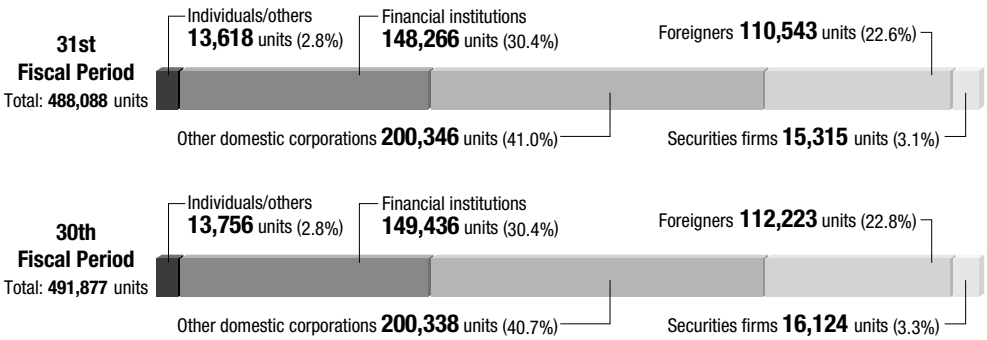
August 23, 2021

History of Investment Unit Price



Overview of Investment Units and Unitholders (As of May 31, 2021)

No. of Investment Units by Investor Type



No. of Unitholders by Investor Type

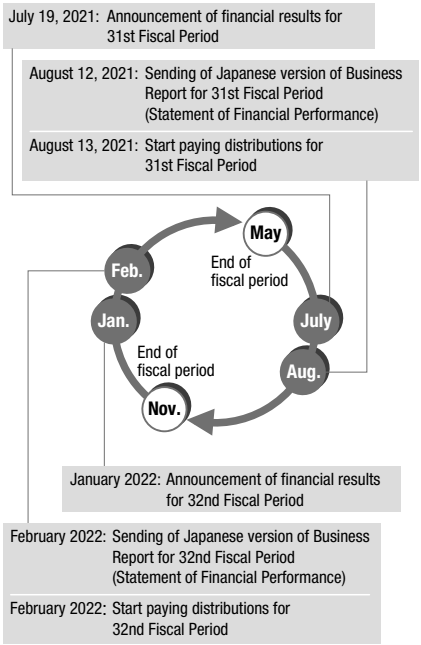
Individuals/others	5,063 (91.0%)
Financial institutions	99 (1.8%)
Other domestic corporations	104 (1.9%)
Foreigners	272 (4.9%)
Securities firms	23 (0.4%)
Total	5,561

Top Ten Unitholders (As of May 31, 2021)

	Name of Investor	Number of Units Owned (Units)	Percentage Share
1.	Daiwa Investment Management Inc.	128,905	26.4
2.	Daiwa Securities Group Inc.	67,321	13.8
3.	The Master Trust Bank of Japan, Ltd. (Trust Account)	53,503	11.0
4.	Custody Bank of Japan, Ltd. (Trust Account)	39,011	8.0
5.	STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND	26,688	5.5
6.	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	13,391	2.7
7.	Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	10,385	2.1
8.	BNYM AS AGT/CLTS 10 PERCENT	6,914	1.4
9.	JAPAN SECURITIES FINANCE CO., LTD.	5,602	1.1
10.	SSBTC CLIENT OMNIBUS ACCOUNT	4,828	1.0

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

IR Calendar



Investor Memo

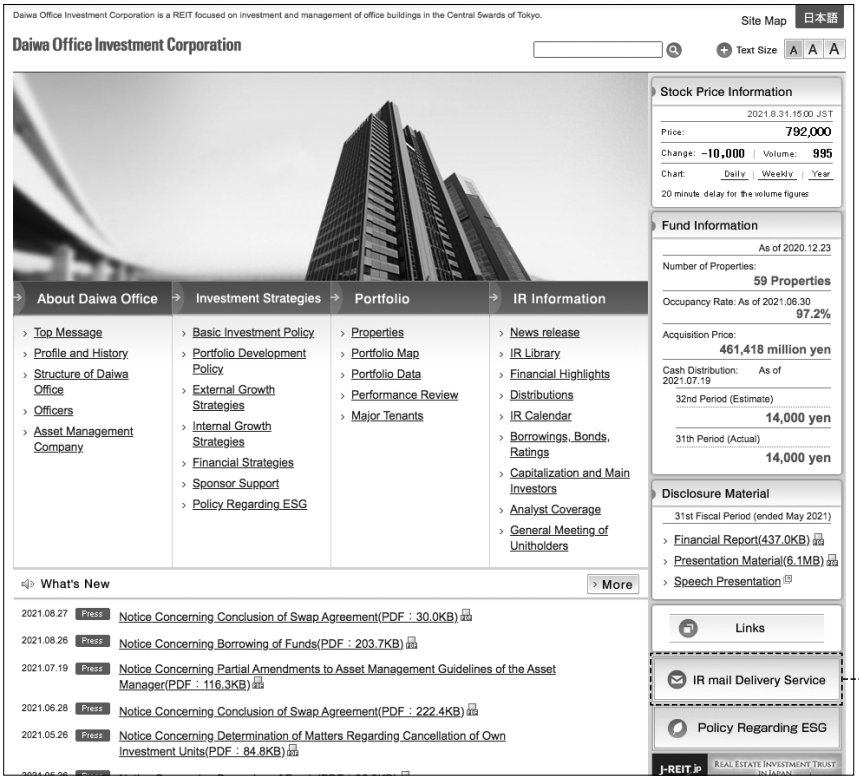
End of fiscal period	May 31 and November 30 of each year
General Meeting of Unitholders	Held at least once every two years
Date for finalizing Unitholders with voting rights for the General Meeting of Unitholders	Date prescribed in Article 15 of the Articles of Incorporation
Reference date for finalizing payment of distributions	May 31 and November 30 of each year (distributions are paid within three months of this reference date)
Listed financial instruments exchange	Tokyo Stock Exchange (stock code: 8976)
Newspaper in which notice is posted	Nikkei Inc.
Manager of Unitholder Registry, etc.	Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233
Office handling administrative affairs	Transfer Agency 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 via Website

Daiwa Office Investment Corporation conducts information distribution via its website as an important tool for IR activities. DOI also provides an e-mail delivery service, “IR Mail Delivery Service,” which informs subscribers of updates in 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

http://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