



12th Fiscal Period

Business Report

January 1, 2012 to June 30, 2012



MID REIT

<http://www.midreit.jp/>



MID REIT, Inc.

1-4-4 Dojimahama, Kita-ku, Osaka

Leadership Message

Tomoyuki Goto, President & CEO of MID REIT Management Co., Ltd. (MID REIT Management) was interviewed after the end of the 12th fiscal period (January 1, 2012 to June 30, 2012) of MID REIT, Inc. (MID REIT). The following is his overview of the 12th fiscal period along with key points and objectives for the future.

Q. 1: You were recently selected to be the Executive Director of MID REIT at the Fourth General Meeting of Unitholders held on May 16, 2012. Can you provide the readers with some insight on your future policy regarding MID REIT?

A. 1: My selection as the Executive Director of MID REIT means that I am serving in that position and the position of President & CEO of MID REIT Management. This will enable even closer cooperation between MID REIT and its asset manager and reinforce the sharing of information, as well as enable the further leveraging of the collective capabilities of the MID Group. The Group and I are dedicated to raising the business performance of MID REIT.

Q. 2: MID REIT is specifically known for three characteristics: Its focus on office buildings in the Osaka area, a portfolio with Osaka Business Park (OBP) as its core, and a growth strategy that leverages the collective capabilities of the MID Group. Can you describe the current status of these?



Tomoyuki Goto
Executive Director, MID REIT, Inc.
President & CEO, MID REIT Management Co., Ltd.

A. 2: As for the first characteristic of our focus on office buildings in the Osaka area, presently more than 80% of our portfolio based on acquisition price is in the Osaka area and office buildings comprise more than 80% of the portfolio. This is clearly the greatest characteristic of MID REIT as it stands out against the strong tendency of J-REITs to focus on Tokyo and its metropolitan area.

As for the second characteristic of a portfolio with OBP as its core, OBP was the first development in Osaka City to introduce the concept of area management by the private sector and it grew as a business area with a concentration of offices. OBP itself stands out in green starved Osaka as a development with a rich green environment. Tenants have raved that "The view of greenery backed by Osaka Castle that spreads out from our reception rooms is splendid and very much admired by our visitors and overseas VIPs." Therefore, OBP continues to establish a brand value as a business area rich in greenery and water.

The extent of the third characteristic of leveraging the collective capabilities of the MID Group is probably least evident. For example, our relationship with the property management company of the MID Group does not extend to just receiving monthly reports. Weekly meetings are actually held among the responsible lines to discuss matters and situations. All employees share information from the market and our tenants, and I, as the president, participate in the meetings on a monthly basis to ensure that I keep an eye on ongoing changes. We also strive to maintain close relationships with our tenants through flexible and sincere measures such as heightening tenant satisfaction by responding to even small scale needs for extra space and working to smoothly resolve the various types of problems that may occur with tenants by standing in their shoes.

Q. 3: Severe market conditions continue but what is your position concerning external growth through the purchase of additional properties?

A. 3: The real estate rental market has struggled over the past few years. We have not acquired any new

properties over the past three and a half years, but we have continued to examine the acquisition of properties. We also seriously looked at a property during this fiscal period but in the end we couldn't agree on the terms of the deal and thus passed on it.

There is a subtle gap in the present market between the awareness of sellers and that of buyers and an environment where it is difficult for property transactions to actually close.

In this market environment, MID REIT is placing the greatest priority on acquiring relatively new office buildings. We are, however, not excessively focused on this area and are proactively looking at a variety of properties such as commercial properties with supermarkets that have great locations, excellent tenant credit and from which rental revenues can be expected to be generated in a steady manner over the long term.

Q. 4: To date, what measures have you implemented to maintain or improve rental revenues so that the value of the portfolio can be heightened?

A. 4: As an example, we have flexibly responded to the needs of existing and new tenants by transforming the lower floor store zone of the Matsushita IMP Building into office space and linked this to an improvement in tenant satisfaction, improvement in occupancy rate and the capture of new rental revenues.

In the case of the Midosuji MID Building, MID REIT acquired the land neighboring the building and integrated the management of it with the building. This enabled MID REIT to heighten the floor area ratio (FAR) and to consider improving the revenue

Contents

Leadership Message	1	IR Activities	10
Internal Growth: Case Studies	5	Osaka Market	11
Financial Status	6	Osaka: A City of Merchants, Trade and Entrepreneurs	12
Portfolio Overview / Portfolio Analysis	7	Asset Management Report	13
Portfolio Map	8	Investment Unit Status	14
About MID REIT	9		

Cover: Tenjin Festival in Osaka Business Park

Contents: Osaka Business Park and the Fireworks Show of the Tenjin Festival

12th Fiscal Period Financial Highlights

(January 1, 2012 to June 30, 2012)

	11th Period Results	12th Period Results	Difference	Difference
Operating revenue	5,776 million yen	5,717 million yen	-59 million yen	-1.0%
Ordinary income	1,416 million yen	1,441 million yen	24 million yen	1.7%
Net income	1,416 million yen	1,439 million yen	22 million yen	1.6%
Number of units	183,625 units	183,625 units	-	-
Distribution per unit	7,715 yen	7,840 yen	125 yen	1.6%

Leadership Message

generation ability of the property by increasing or adding floor space. Thereafter, MID REIT added floor space to the first and second floors to respond to diverse future tenant needs at the time it transformed the building from a single tenant lease to a multi-tenant building. This enabled us to secure Shikanko, a well-known, established and respected jeweler, as a tenant.

Additionally, during the fiscal period we received "Silver" certification from the DBJ Green Building Certification System for three owned office buildings. In the system, the Development Bank of Japan Inc. certifies buildings using a scoring model originally developed by DBJ. This step was taken to meet various social demands placed on real estate from stakeholders regarding the environmental characteristics of buildings, and the disaster prevention and anticrime abilities of the real estate.

Each building was evaluated for promoting environmental awareness and energy saving initiatives while also working to improve the convenience of tenants. In particular, Twin 21 and the Matsushita IMP Building in OBP, the representative business area of Osaka, were appraised for their advanced warming countermeasures taken together with the entire community. The countermeasures include surveys, forecasts and evaluations, as well as investigations on environmental preservation measures related to the reduction of CO₂ emissions and other considerations conducted along with land rights holders of surrounding properties.

It is important that OBP is proactively managed in a planned manner like a town. This extends to not just making sure the town is clean but also having a convenience store, post office and bank.

Q.5: There are presently concerns about the power supply in Japan and Kansai area and this has led to a heightening of interest in energy issues. How will you meet social demands as a corporate citizen?

A.5: We have long been interested in the energy issue not just from the perspective of the environment but also from that of cost control. This is also a point where the vectors of MID REIT and the interests of



The interview took place at the Panorama Sky Restaurant Asahi in the Matsushita IMP Building.

its investors meet. Therefore we are committed to proactively approaching this issue hereafter as well. Initial investment is needed to upgrade facilities and repair facilities so that less power is consumed, but as a result of this investment, operating costs can be reduced. This means it requires a medium- to long-term framework and approach and we will assume such. Of course, we will proceed in this area after obtaining the understanding of our unitholders.

Q.6: Despite the fact that the office vacancy rate in the Osaka area hovers around 10%, MID REIT continues to maintain a high occupancy rate. What measures have been implemented to maintain this high occupancy rate?

A.6: The primary reason is that we continue to apply the collective capabilities of the MID Group to maintain and build close relationships with our tenants. Another reason we achieve this result is that we carefully analyze the market on a constant basis and take every effort to be a half-step ahead of the market. Grand Front Osaka will be completed in Umeda in the spring of 2013. Abeno Harukas is also scheduled for completion in 2014 in Abeno. These new additions to the supply will lead to tougher competition in the market but the merits

for tenants are significant because options increase, and existing buildings tend to implement renovations and improve services. Additionally, the "political leadership" of Osaka City Mayor Hashimoto as he trumpets Osaka as the second capital of Japan can potentially stimulate the Osaka economy. There is also a very good chance that Kansai International Airport will act as a gateway for Asian economies and, in turn, boost the Osaka economy. It is vital to maintain a broad perspective on the overall market and while doing so to remain, I won't say one or two steps ahead, but at least half a step ahead.

Q.7: MID REIT has really made a push in IR coverage and activities during the 12th Fiscal Period with the renewal of your website and participation in IR fairs for individual investors. What is the objective of these measures?

A.7: IR activities do not lead to immediate results in the short term. However, considering the fact that we have more unitholders as of the end of this fiscal period than ever before, it is clear that diligent and consistent IR activities targeting retail investors are essential. Of course the efforts of MID REIT alone are important but the results we have garnered and can potentially garner are a result of the collective efforts of organizations like

the Association for Real Estate Securitization, the stock exchanges and securities firms. These efforts need to be particularly focused on raising the understanding of investors concerning J-REITs. We must also diligently broadcast information on MID REIT to have it stand out among the many J-REITs. Since renewing our website we have received some comments. It is now vital that we apply these to the future to enrich communication with our investors. We want investors to understand the importance and significance of MID REIT, as an office REIT with its base in the Osaka area, and we will diligently continue to strive to achieve this.

Q.8: What is your evaluation of this fiscal period's performance? Please tell us the areas you are satisfied with and those you are not.

A.8: I am generally satisfied with the performance of this fiscal period as our initial objectives including those for occupancy rate were achieved. However, we presently face the issue that we do not have the candidate tenants to meet our objectives for the end of the 13th fiscal period which is at the end of December 2012. The contract with our major tenant Panasonic Corporation has also not been finalized for 2013 and beyond and this also requires our close attention.

Q.9: Finally, can you present MID REIT's performance forecasts for next fiscal period?

A.9: As with this fiscal period, the market will continue to be tough. We project that the filing of lease cancellations by tenants entering the new office building Grand Front Osaka in Umeda upon its completion will peak in the fall of this year. New leasing activities for the concerned existing buildings from which tenants moved out of will begin after that or during the next fiscal period of MID REIT. Therefore, we must closely analyze the market and keep an eye on the movements of tenants. It is our intent to diligently work to extend tenants residency and to attract new tenants, and this makes our relationships with existing tenants more important than ever before.

Initiatives to Maintain and Improve Rental Revenues: Converting Retail Space on Lower Floors of Matsushita IMP Building into Office Space

The lower floors (floors 1-3) of the Matsushita IMP Building were classified as retail space since completion of the building but had been converted into office space gradually in line with customer needs. Greater business was sought for the stores on the second floor by promoting their move to the first floor with its higher customer traffic and sourcing office tenants for the newly empty second floor enabled MID REIT to finish converting the second floor into office during the 12th fiscal period. The achievement of greater tenant satisfaction while aiming to maintain and improve rental revenues enabled MID REIT to reinforce the sourcing of new tenants and strengthen relationships with existing tenants.

Before



The retail tenants moved from the second floor to the first floor with its higher traffic.

After

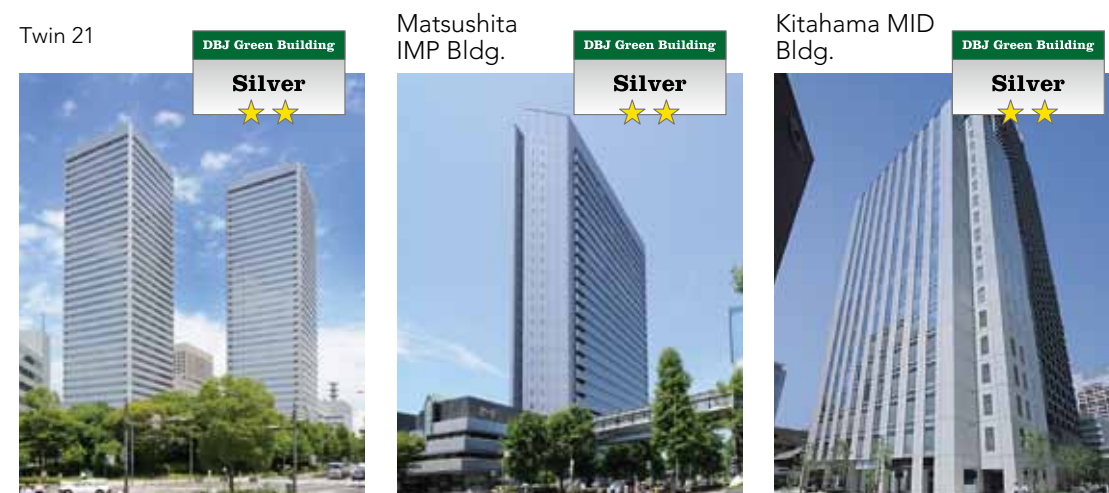


Tosho Co., Inc.
Business systems office

Sekisui House, Ltd.
Osaka SHAWOOD Home Branch

MID REIT Receives DBJ Green Building Certification

Three properties in the MID REIT portfolio - Twin 21, Matsushita IMP Building and Kitahama MID Building - received Silver certification from the Development Bank of Japan Inc. for its DBJ Green Building Certification System. They were certified in February 2012. This certification system was established to promote the spread of Green Buildings that are recognized for their environmental performance, disaster prevention and anticrime measures and for meeting social demands placed on real estate by stakeholders. The evaluation uses a scoring model that was originally developed by DBJ and promotes the implementation of environmental and energy conservation measures along with helping to improve convenience for tenants. Particularly in the cases of Twin 21 and Matsushita IMP Building, which are both in the Osaka Business Park (OBP), points were especially received for their efforts concerning reduction of CO₂ emissions and advanced warming countermeasures conducted along with land rights holders of surrounding properties.



MID REIT completed refinancing of 14.5 billion yen in loans in July 2012 (13th fiscal period). The following is the financial status of MID REIT after the refinancing as of July 31, 2012.

Breakdown of Debt Financing

Type	Lender		Balance (million yen)	Interest Rate	Drawdown Date	Repayment Date	Repayment Method	Remarks
Long-term loans payable (Note 1)	Term loan (3 years and 3 months)	Mizuho Corporate Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank, Mitsubishi UFJ Trust and Banking, Shinkin Central Bank, The Nishi-Nippon City Bank	11,000	JBA Japanese Yen TIBOR + 0.8%	Apr. 23 2010	July 31 2013	Bullet payment	Unsecured Unguaranteed
	Term loan (2 years and 11 months)	Mizuho Corporate Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank, Mitsubishi UFJ Trust and Banking, Senshu Ikeda Bank, Hyakugo Bank, Minato Bank	17,500	JBA Japanese Yen TIBOR + 0.8% (Note 2)	Aug. 31 2010	July 31 2013	Bullet payment	Unsecured Unguaranteed
	Term loan (4 years and 11 months)	Mizuho Corporate Bank, Resona Bank, Shinkin Central Bank, Nanto Bank	6,500	JBA Japanese Yen TIBOR + 1.0% (Note 3)	Aug. 31 2010	July 31 2015	Bullet payment	Unsecured Unguaranteed
	Term loan (6 years and 11 months)	Development Bank of Japan	4,500	1.79507% (Note 4)	Aug. 31 2010	July 31 2017	125 million yen every 6 months (end of January and July) 3,375 million yen on final principal repayment date	Unsecured Unguaranteed
	Term loan (3 years)	Mizuho Corporate Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank, Resona Bank, Shinkin Central Bank, Senshu Ikeda Bank	13,800	JBA Japanese Yen TIBOR + 0.6% (Note 5)	July 29 2011	July 31 2014	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years)	Mizuho Corporate Bank, Development Bank of Japan	4,000	1.36375% (Note 4)	July 29 2011	July 31 2016	Bullet payment	Unsecured Unguaranteed
	Term loan (3 years)	Mizuho Corporate Bank, Sumitomo Mitsui Banking, Resona Bank, Mitsubishi UFJ Trust and Banking, Senshu Ikeda Bank	8,500	JBA Japanese Yen TIBOR + 0.6%	July 31 2012	July 31 2015	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years)	Sumitomo Mitsui Trust Bank, Aozora Bank	4,300	JBA Japanese Yen TIBOR + 0.8% (Note 6)	July 31 2012	July 31 2017	Bullet payment	Unsecured Unguaranteed
	Term loan (7 years)	Development Bank of Japan	1,700	1.52375% (Note 4)	July 31 2012	July 31 2019	Bullet payment	Unsecured Unguaranteed
	TOTAL			71,800				

(Note1) Loans are co-financed by the banks in the list.

(Note2) In accordance with the interest-rate swap agreement, the actual interest rate is 1.142% (p.a.) up to the principal repayment date.

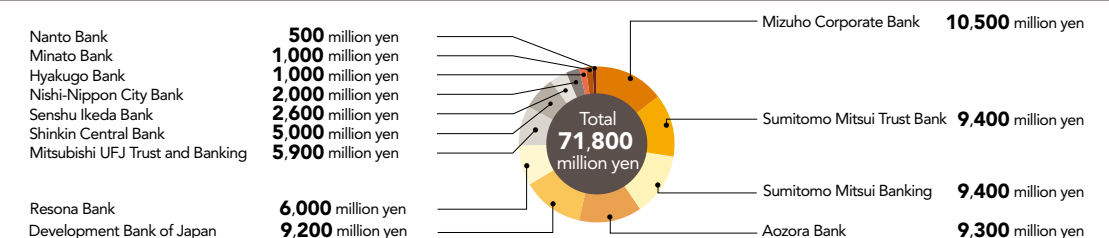
(Note3) In accordance with the interest-rate swap agreement, the actual interest rate is 1.447% (p.a.) up to the principal repayment date.

(Note4) Interest rates are fixed.

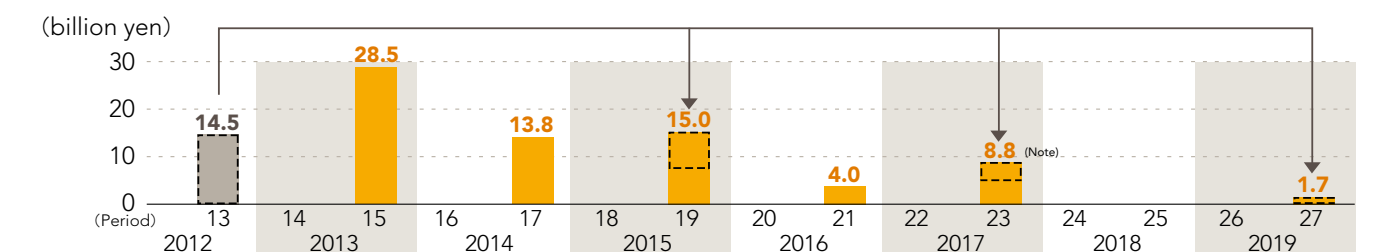
(Note5) In accordance with the interest-rate swap agreement, the actual interest rate is 1.0625% (p.a.) up to the principal repayment date.

(Note6) In accordance with the interest-rate swap agreement, the actual interest rate is 1.141% (p.a.) up to the principal repayment date.

Borrowing Status by Bank



Diversification of Repayment Dates



(Note) For the 4.5 billion yen of 8.8 billion yen that will mature in the 23rd fiscal period, it has been arranged that repayment of 125 million yen shall be made respectively at the end of January and July every year, starting on January 31, 2011, and the final repayment shall be made on July 31, 2017 for 3,375 million yen.

Portfolio Overview

The following is the status of MID REIT’s portfolio as of June 30, 2012.

Investment Category	Investment Area	Property Name	Location	Acquisition Price (million yen) (Note 1)	Investment Ratio (%) (Note 2)	Acquisition Date	Leasable Space (m²) (Note 3)	Occupancy Rate (%) (Note 4)
Office Bldg.	Osaka area	Twin 21 (Note 5)	Chuo-ku, Osaka	68,700	42.6	August 2006	82,397.07	95.8
		Matsushita IMP Bldg.	Chuo-ku, Osaka	24,600	15.3	August 2006	37,160.96	96.6
		Panasonic Osaka Kyobashi Bldg. (Note 6)	Chuo-ku, Osaka	7,620	4.7	August 2006	12,684.52	100.0
		Midosuji MID Bldg.	Chuo-ku, Osaka	8,290	5.1	August 2006 October 2007	10,461.32	91.4
		MID REIT Kyobashi Bldg.	Miyakojima-ku, Osaka	2,300	1.4	August 2006	4,833.88	100.0
		MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	2.0	April 2007	4,279.70	86.4
		MID Midosujikawaramachi Bldg.	Chuo-ku, Osaka	2,000	1.2	May 2007	3,097.42	94.9
		Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	6.7	April 2008	10,189.50	100.0
		MID Nishihommachi Bldg.	Nishi-ku, Osaka	3,550	2.2	October 2008	3,870.82	100.0
	Other major cities	MID Shibakanasugibashi Bldg.	Minato-ku, Tokyo	1,160	0.7	August 2006	1,989.27	0.0
Non-Office Bldg.		Subtotal (10 properties)		132,290	82.1		170,964.46	95.1
	Osaka area	Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	1.7	August 2006	9,586.26	100.0
	Other major cities	AEON MALL Tsudanuma	Narashino-shi, Chiba	26,100	16.2	August 2006	101,210.44	100.0
		Subtotal (2 properties)		28,880	17.9		110,796.70	100.0
		Total (12 properties)		161,170	100.0		281,761.16	97.0

(Note 1) “Acquisition Price” states the sale price which is stated in the sales contract for the respective trust beneficiary interest, etc. (excluding various acquisition expenses, property taxes and consumption taxes, etc.).

(Note 2) “Investment Ratio” indicates the ratio of the acquisition price of the applicable asset to the total amount of acquisition prices and is rounded to the first decimal place.

(Note 3) “Leasable Space” represents the total leasable floor space as of June 30, 2012. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc. However, the leasable space of Konami Sports Club Kyobashi and AEON MALL Tsudanuma include the floor space for common areas and parking, while the leasable space of the MID REIT Kyobashi Bldg. include the floor space for common areas, each of which is leased in its entirety to a sole tenant.)

(Note 4) “Occupancy Rate” is presented as percentage figures, which are obtained by dividing the leased space as of June 30, 2012 by the leasable space. In addition, the figures in the “Subtotal” and the “Total” rows are presented as percentages that are obtained by dividing the sum of the leased space of each property group by the sum of the group’s leasable space and rounded to the first decimal place.

(Note 5) Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

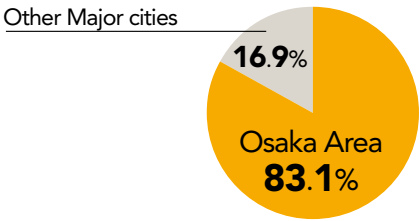
(Note 6) The property name was changed from Panasonic Denko Build. to Panasonic Osaka Kyobashi Bldg. as of January 1, 2012.

(Note 7) In addition to the assets listed in the table above, MID REIT acquired silent partnership interests of a silent partnership operated by Sakura Dori Contributions Development Limited Liability Company, the party that developed the Sakura Dori MID Building, on November 29, 2007, January 30, 2008, September 29, 2008 and February 26, 2009.

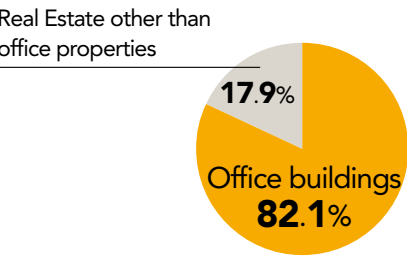
Portfolio Data

The following is the diversification of MID REIT’s portfolio by respective category. (Note 1)

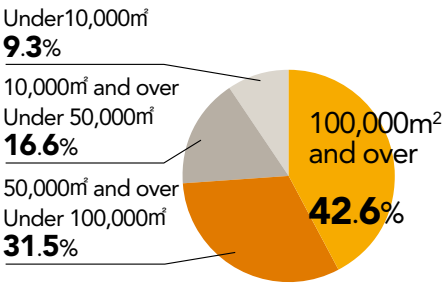
By Region (Note 2)



By Type



By Size (Note 3)



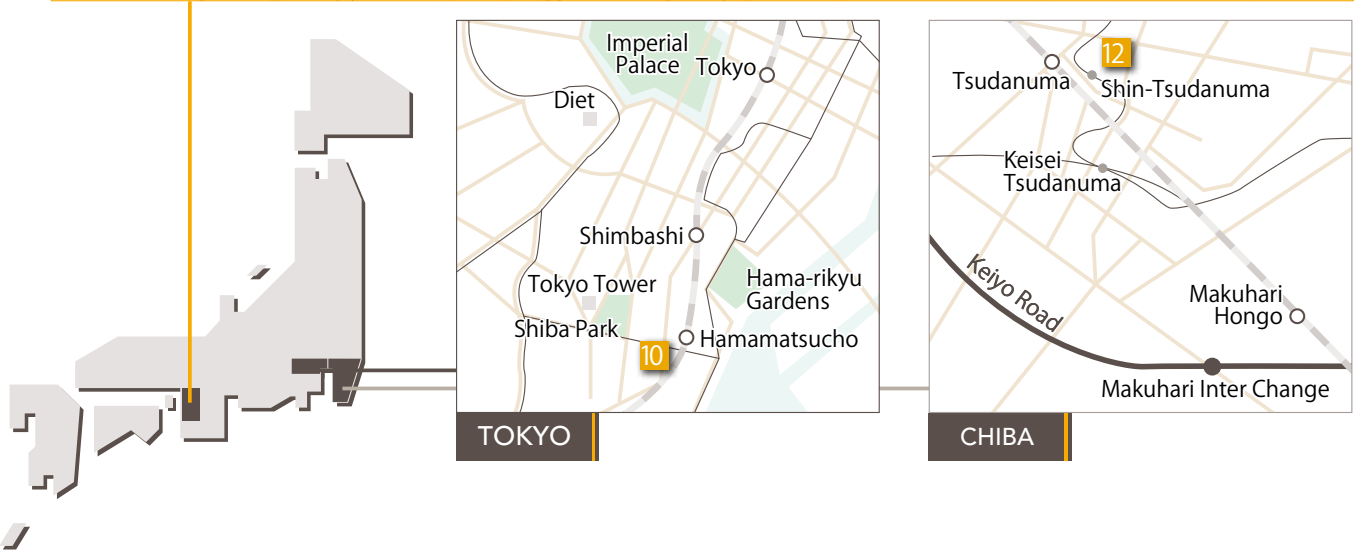
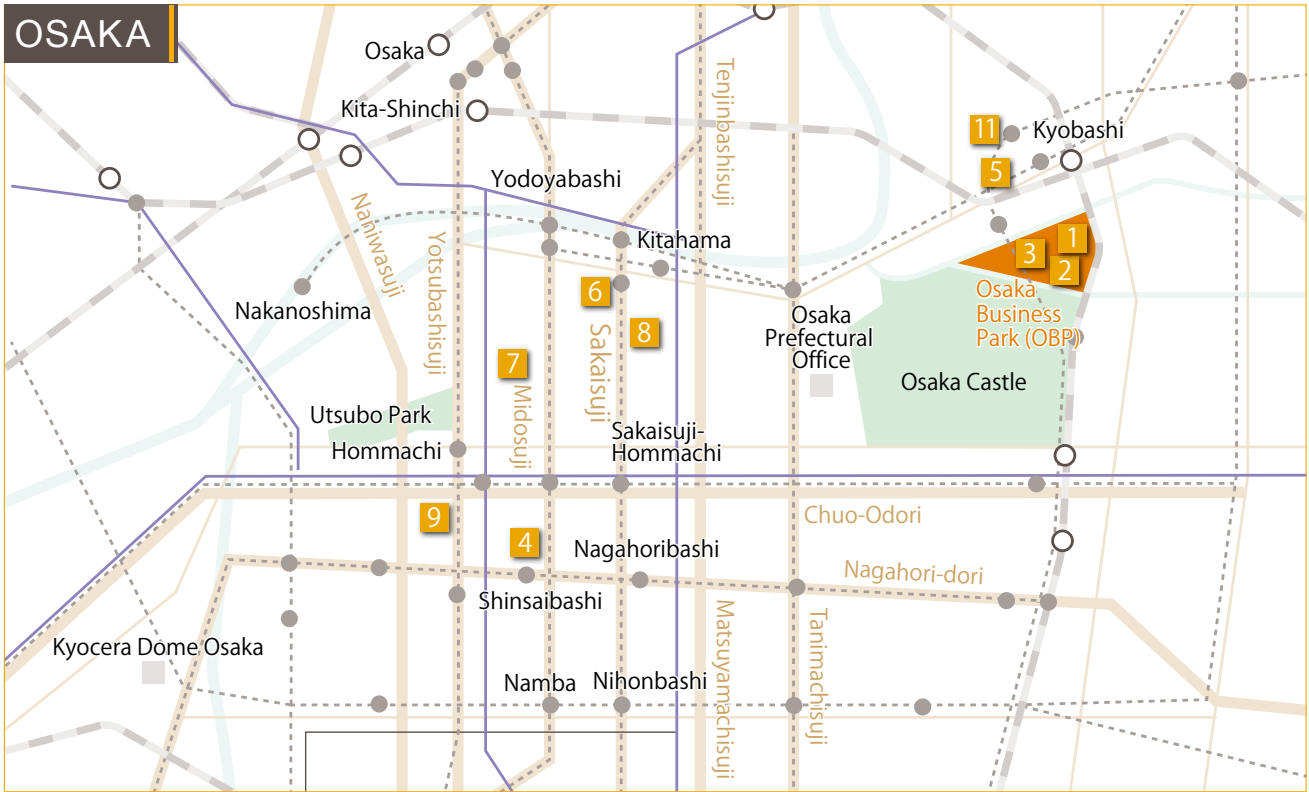
(Note 1) The ratios represent the ratios of the combined acquisition prices for respective categories over the total acquisition price, and are rounded to the first decimal place. Accordingly, the total of such figures is not necessarily 100%.

(Note 2) “Osaka area” refers to Osaka Prefecture, Hyogo Prefecture and Kyoto Prefecture, and “Other major cities” refers to government-designated cities and other major cities in Tokyo, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture.

(Note 3) The area sizes shown in “By Size” are based on the total floor space of the buildings recorded on the registry.

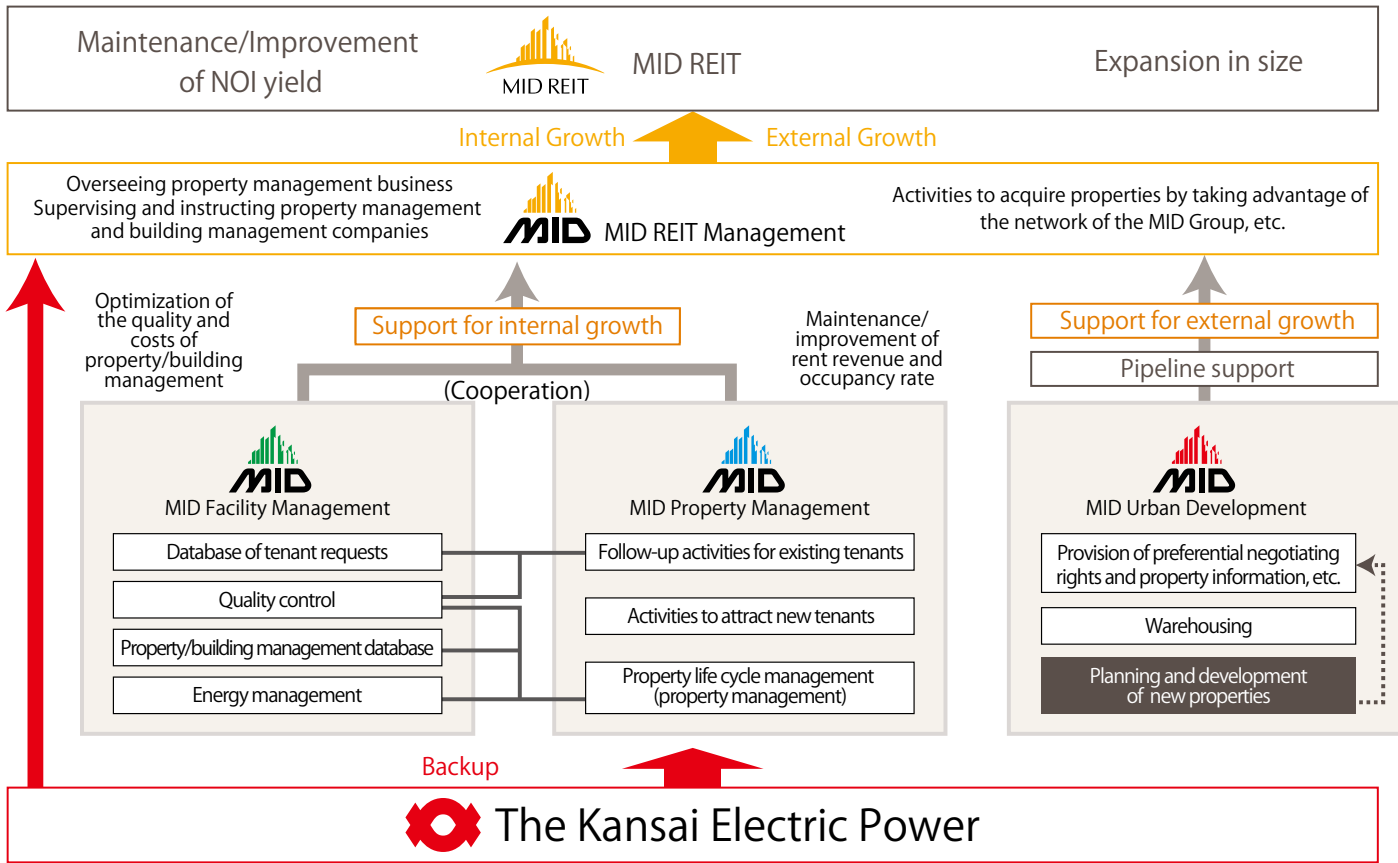


(Note) The property name was changed from Panasonic Denko Bldg. to Panasonic Osaka Kyobashi Bldg. as of January 1, 2012.



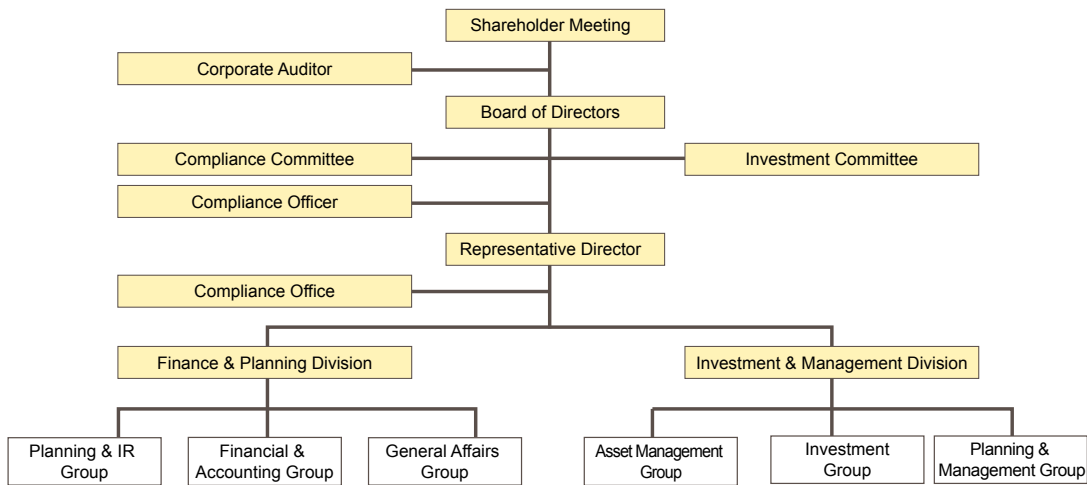
Growth Strategy in Cooperation with the MID Group

MID REIT intends to realize both internal growth and external growth in cooperation with the MID Group and, by virtue of the cooperation, aims to secure stable revenues and achieve steady growth of the portfolio from a medium- to long-term perspective.



New Organization Chart of Asset Management Company

MID REIT Management, the asset manager to which MID REIT consigns management of its assets, underwent an organizational change during the 12th fiscal period. The Planning & Management Group was newly established under the Investment & Management Division.

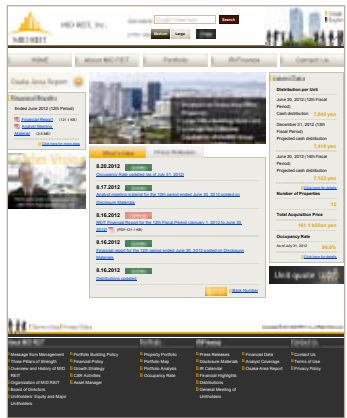


IR Activities Need to Realize Communication with Diverse Investors

MID REIT positions IR activities as being one of the most important responsibilities of management and diligently works to building relationships with investors. The respective J-REITs earnestly conduct their IR activities and communicate with investors by providing sophisticated and highly transparent information to them. One of the key points to recognize in the implementation of IR activities is that the investors are diverse: there are institutional and individual investors and domestic and overseas investors. Consequently, it is vital to develop and implement IR activities that are fine-tuned and aware of the differences in these respective investors.

Focusing on Information Access in Upgrading the Website

One of the major IR projects during the 12th fiscal period was the full upgrading of the MID REIT website. The objective of this upgrade was to create a website where it was easy to find and access the desired information. The structure was changed to one where various information could be accessed quickly and the convenience of the information search function was heightened by introducing an in-site search function. New services were also added including placing a message by the asset manager's president in an easy to recognize location and incorporating a mail form for contacting the staff. These types of measures were used to include more information sought by investors than ever before and creating a human like site where the face of the leader is visible.



Repeated Briefing Sessions Held to Speak with Investors

MID REIT participated in a number of opportunities to directly communicate with investors again this fiscal period. In addition to individual meetings with institutional investors, MID REIT proactively participated in fairs targeting the individual investor and held briefings for them. MID REIT met with as many investors as possible and worked to deepen their comprehension of MID REIT by informing them of the investment policy and performance of MID REIT.

Individual Meetings with Institutional Investors and Analysts

Individual meetings with domestic institutional investors and analysts: 30 times
Individual meetings with overseas institutional investors and analysts: 10 times

Briefing Sessions for Individual Investors

March 2012: "J-REIT Fair 2012" sponsored by The Association for Real Estate Securitization (Tokyo)
March 2012: "J-REIT Retail Investor Seminar" sponsored by Nomura Investor Relations Co., Ltd. (Tokyo)
June 2012: "J-REIT Festival 2012" sponsored by Daiwa Securities Co., Ltd. (Tokyo)

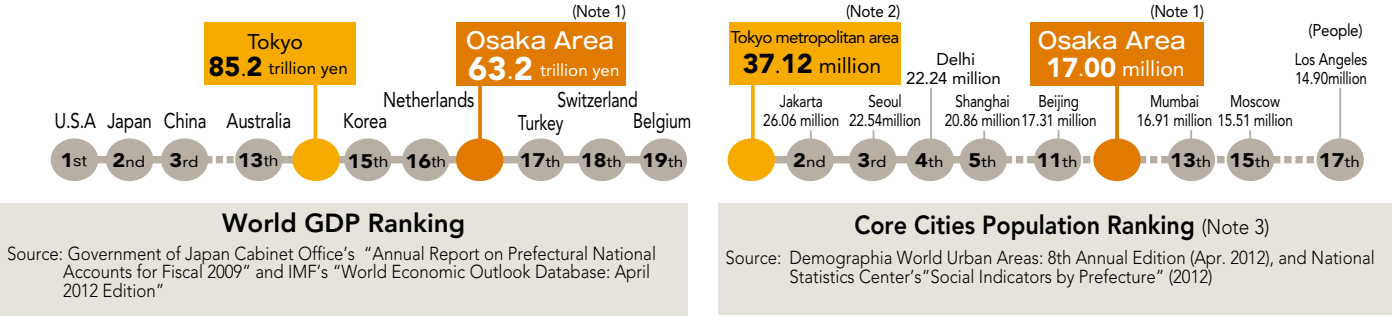
Simultaneous Issuance of Business Report for Overseas Investors as Semi-Annual Report

MID REIT has commenced the issuing of an English language business report simultaneous to and based on the semi-annual report. The objective of this new initiative is to provide overseas investors with information equivalent to that for domestic investors. As a result, MID REIT is now able to provide overseas investors with a rich source of information at roughly the same time as Japanese investors.



A Robust Market Area: Osaka

Economic scale and population are indices that can indicate the robustness of global countries and metropolises. Presently, the GDP of the Osaka area gives it an economic scale that follows the 16th largest country even when compared on a global scale. The population of the Osaka area is also around 17 million people, which means it is larger than Moscow (15.51 million people) and Los Angeles (14.9 million people).



A Rich, Strong Infrastructure

The Osaka area is a metropolis that boasts one of the more superior transit infrastructures in the world with multiple airports, bullet trains, conventional train lines, subway lines, highways and ports. In fiscal 2010, the combined figures for Osaka International Airport and Kansai International Airport placed them third in Japan at 28,231,000 for passengers and second following Narita International Airport for handled cargo (875,000 tons). The airports also handle the second most number of flights in Japan following Haneda International Airport (Note 1). Furthermore, in 2009, the ports of Osaka and Kobe combined handled 155,892,000 tons of cargo, second in Japan (Note 2).



(Note 1) Source: Ministry of Land, Infrastructure, Transport and Tourism's "Airport Management Records"
(Note 2) Source: Prepared by the Ports and Harbors Bureau of the Ministry of Land, Infrastructure, Transport and Tourism using information in "Trade Statistics" (2009) issued by the Ministry of Finance.

Low Cost Carriers (LCC) Keyed in on Kansai

LCCs have dominated air travel news recently and they have also taken note of the proximity of Kansai International Airport to the respective cities of Asia. This has led many of the LCCs to arrange for routes to and from the airport. Furthermore, Kansai International Airport plans to open a dedicated LCC terminal in October 2012 (Note) and the LCCs are expected to further energize the airport.

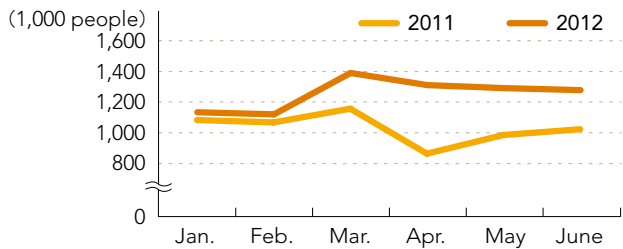


(Note) Source: New Kansai International Airport Co., Ltd. (press release on July 31, 2012)

An Increase in Tourists

The number of people using the Kansai International Airport is also increasing in part due to the increase in the LCCs using the airport. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and Osaka Prefecture are also discussing additional measures, among which they are planning to build a new station with direct trackage from Kansai International Airport under Grand Front Osaka, which is expected to be completed in the spring of 2013 (Umekita Phase 1 Development Area Project). The enhancement of the transit infrastructure of Osaka will serve as an engine to drive the overall Kinki area. An increase in the opportunities to appeal the attraction of Osaka to the world is increasing and will link to further solicitation and attraction of tourists centered on LCCs and Asia.

Number of Passenger at Kansai International Airport



Source: New Kansai International Airport, Co., Ltd.'s "Operational Overview" (2011 and 2012)



Where do the differences between Osaka and Tokyo lie? A variety of responses are possible, but one clear statistic concerning bridges clearly reveals the difference.

In the Edo era it was said that there were about 200 bridges in Osaka; of which, only 12 had been built with public monies and the rest had all been built with the personal funds of merchants. This is in direct contrast with Tokyo where most, if not all, of the bridges were built with the support of the government. Osaka is a city that has developed and grown under the leadership and drive of entrepreneurs rich in the spirit of challenge and with strong character. In Osaka there is a location that stresses learning from the activities of our preceding entrepreneurs and supporting the activities of future entrepreneurs. It is the Entrepreneurial Museum for Challenge and Innovation (Osaka).

The Museum boasts a full-time display of 105 of Osaka's representative entrepreneurs. The legends are presented by era: Meiji, Taisho and Showa (time periods corresponding to the Emperors of the time). Further divided into finance, heavy industry, textile, infrastructure and electric machinery, the presentations follow the rise of industries and trace the efforts of these entrepreneurs who moved the world and Japan.

The limitations of this medium prevent us from introducing all of the entrepreneurs but let us

present a few of them. Jutaro Matsumoto from Kyoto Prefecture (1844~1913) focused on a number of businesses centered on banking and participated in the launch of many businesses. Affiliated companies include Fuji Bank (presently Mizuho Financial Group), Nankai Electric Railway and Toyobo. Sanji Muto from Gifu Prefecture (1867-1934) incorporated humanism into business as the president of Kanegafuchi Boseki (later, Kanebo) and created innovative and revolutionary labor management. Chubei Ito from Shiga Prefecture as its second president transformed Itochu from a textile wholesaler to a globally renowned trading company. Other featured entrepreneurs are Fujiemon Takenaka (14th president of Takenaka Corporation), Yoshigoro Obayashi (founder of Obayashi Corporation), Chobei Takeda (5th president of Takeda Pharmaceutical Company Limited), Gohei Tanabeya (12th president of Mitsubishi Tanabe Pharma) and Konosuke Matsushita (founder of Panasonic Corporation). The Museum thus introduces a powerful lineup of globally influential people in construction, pharmaceuticals, electric machinery and other industries. The Museum is an intriguing glimpse into the character and spirit that have driven the globally leading metropolis of Osaka.

The Entrepreneurial Museum of Challenge and Innovation

Osaka Sangyo Sozokan, B1
1-4-5 Honmachi, Chuo-ku, Osaka 541-0053
TEL: 06-4964-7601 FAX: 06-6264-6011
URL: <http://www.kigyoka.jp/>



Overview of Asset Management

Historical Results of Operations for MID REIT

Period		8th Period	9th Period	10th Period	11th Period	12th Period
Fiscal period		(Jan. 1, 2010 – June 30, 2010)	(July 1, 2010 – Dec. 31, 2010)	(Jan. 1, 2011 – June 30, 2011)	(July 1, 2011 – Dec. 31, 2011)	(Jan. 1, 2012 – June 30, 2012)
Operating revenue	(million yen)	6,012	5,879	5,763	5,776	5,717
(Real estate rental revenues)	(million yen)	(6,012)	(5,879)	(5,763)	(5,776)	(5,717)
Operating expenses	(million yen)	3,598	3,722	3,615	3,691	3,644
(Real estate rental expenses)	(million yen)	(3,016)	(3,151)	(3,054)	(3,132)	(3,065)
Operating income	(million yen)	2,413	2,156	2,147	2,085	2,072
Ordinary income	(million yen)	1,520	1,375	1,408	1,416	1,441
Net income	(million yen)	1,518	1,383	1,396	1,416	1,439
Total assets	(million yen)	177,294	177,198	176,885	176,561	176,300
(Period-on-period variation)	(%)	(-0.7)	(-0.1)	(-0.2)	(-0.2)	(-0.1)
NAV	(million yen)	91,891	91,755	91,769	91,789	91,812
(Period-on-period variation)	(%)	(-0.3)	(-0.1)	(0.0)	(0.0)	(0.0)
Interest-bearing liabilities	(million yen)	72,300	72,300	72,175	72,050	71,925
Unitholders' capital	(million yen)	90,372	90,372	90,372	90,372	90,372
Total investment units issued and outstanding	(units)	183,625	183,625	183,625	183,625	183,625
NAV per unit	(yen)	500,427	499,691	499,763	499,873	499,998
Total distributions	(million yen)	1,518	1,383	1,396	1,416	1,439
Distribution per unit	(yen)	8,269	7,532	7,605	7,715	7,840
(Earnings distribution per unit)	(yen)	(8,269)	(7,532)	(7,605)	(7,715)	(7,840)
(Distribution in excess of earnings per unit)	(yen)	(-)	(-)	(-)	(-)	(-)
Return on assets (ROA)	(Note 1) (Note 2) (%)	0.9 (1.7)	0.8 (1.5)	0.8 (1.6)	0.8 (1.6)	0.8 (1.6)
Return on unitholders' equity	(Note 1) (Note 3) (%)	1.7 (3.3)	1.5 (3.0)	1.5 (3.1)	1.5 (3.1)	1.6 (3.1)
Unitholders' equity ratio at end of period	(Note 4) (%)	51.8 (0.2)	51.8 (0.0)	51.9 (0.1)	52.0 (0.1)	52.1 (0.1)
(Period-on-period variation)						
Interest-bearing liabilities ratio at end of period	(Note 5) (%)	40.8	40.8	40.8	40.8	40.8
Payout ratio	(Note 6) (%)	100.0	99.9	100.0	100.0	100.0
Number of investment properties	(properties)	12	12	12	12	12
Leasable space	(Note 7) (m ²)	281,706.95	281,744.45	281,770.07	281,771.44	281,761.16
Number of tenants at end of period	(Note 8) (tenants)	219	216	217	214	214
Occupancy rate at end of period	(Note 9) (%)	97.4	97.1	97.4	97.5	97.0
Depreciation and amortization for the period	(million yen)	1,050	1,064	1,068	1,080	1,077
Capital expenditures for the period	(million yen)	870	621	421	492	505
NOI from property leasing	(Note 10) (million yen)	4,055	3,798	3,798	3,741	3,789

(Note 1) Figures in parenthesis have been annualized.

(Note 2) Ordinary income ÷ {(Total assets at beginning of period + Total assets at end of period) ÷ 2} × 100

(Note 3) Net income ÷ {(NAV at beginning of period + NAV at end of period) ÷ 2} × 100

(Note 4) NAV at end of period ÷ Total assets at end of period × 100

(Note 5) Interest-bearing liabilities at end of period ÷ Total assets at end of period × 100

(Note 6) The payout ratio has been rounded down to the first decimal place.

(Note 7) "Leasable space" represents the total leasable floor space as of the end of each fiscal period. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc., but include the floor space for common areas and parking, etc. when leased to tenants.)

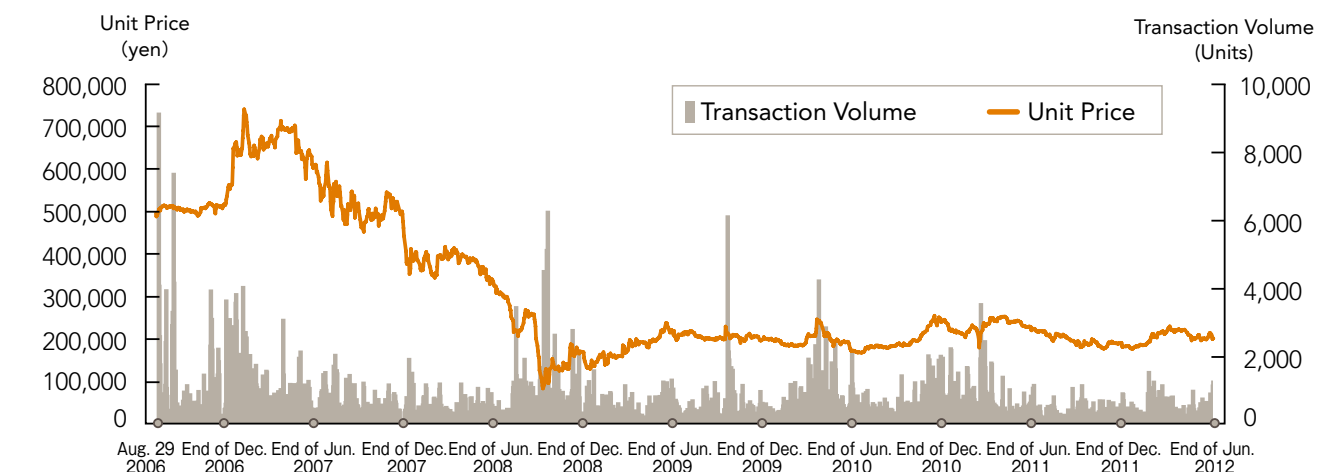
(Note 8) "Number of tenants at end of period" represents the number of tenants based on lease agreements that are valid as of the end of each fiscal period. (Figures are for leasable units only and exclude the tenants who lease only the floor space for storage, halls, parking, etc.). When one tenant leases multiple rooms for rent in the same property, it is regarded as one tenant, and when in multiple properties, it is regarded as multiple tenants (one tenant for each property) and counted as such.

(Note 9) "Occupancy rate at end of period" is the figure obtained by dividing the total leased space of respective properties at the end of each fiscal period by the total leasable floor space, and is expressed as a percentage.

(Note 10) Rental income for the period (Real estate rental revenues – Real estate rental expenses) + Depreciation and amortization for the period + Loss on retirement of noncurrent assets for the period

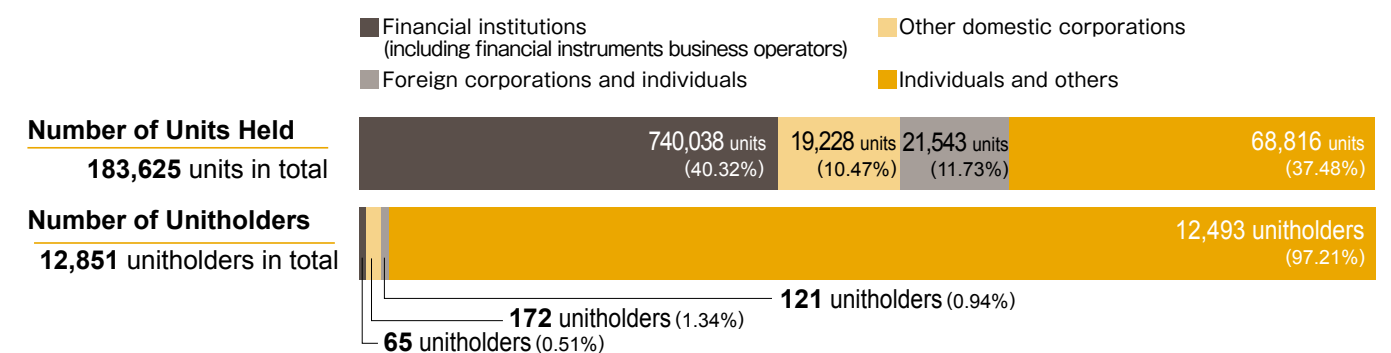
Unit Price Performance

The following is the history of investment unit prices (closing prices) and transaction volumes of MID REIT on the Tokyo Stock Exchange from the date of listing (August 29, 2006) to June 30, 2012.



Breakdown of Unitholders

The following is the breakdown of MID REIT's unitholders as of June 30, 2012.



Overview of Asset Management Company (as of June 30, 2012)

Name	MID REIT Management Co., Ltd.
Location	1-4-4 Dojimahama, Kita-ku, Osaka
Capital	210 million yen
Shareholder	MID Urban Development Co., Ltd.
Representative	President & CEO, Tomoyuki Goto
Business Description	Investment management business
Company History	<p>September 1, 2005: MID REIT Management Co., Ltd. established</p> <p>October 5, 2005: Acquired the real estate brokerage license (License Number: 2-51806, Osaka Governor)</p> <p>February 2, 2006: Obtained grant for agency by discretionary trust, based on the Building Lots and Buildings Transaction Business Law (Grant Number: 50, Minister of Land, Infrastructure, Transport and Tourism)</p> <p>May 26, 2006: Obtained grant for asset management under the Investment Trust and Investment Corporation Law (Grant Number: 64, Prime Minister of Japan)</p> <p>September 30, 2007: Registered as an investment management business under the Financial Instruments and Exchange Law of Japan (the "FIE Law") (Registration No. 43 [FIE], Director-General, Kinki Local Finance Bureau) (Note)</p> <p>(Note) Subject to the stipulation under Article 159, Paragraph 1 of the Supplementary Provisions of the Law Concerning the Amendments of the Securities and Exchange Law and Other Financial Laws, the Asset Management Company is deemed to have been registered in accordance with Article 29 of the FIE Law, effective as of September 30, 2007, the date of the FIE Law implementation.</p>