

For Translation Purpose Only**REIT Financial Report for the 15th Fiscal Period (July 1, 2013 to December 31, 2013)**

MID REIT, Inc. (URL: <http://www.midreit.jp/>) is listed on the Tokyo Stock Exchange with the securities code 3227.

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Executive Director

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Preparation of supplementary materials: Yes / No

Holding of analyst meeting: Yes / No (for institutional investors and analysts)

[Monetary amounts in million yen are rounded down]

1. PERFORMANCE FOR THE 15th FISCAL PERIOD (July 1, 2013 to December 31, 2013)**(1) Business Results**

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
15th fiscal period	5,265	(3.5)	1,650	155.2	1,177	—	1,175	—
14th fiscal period	5,457	(3.0)	646	(65.6)	105	(92.0)	104	(92.1)

	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
	yen	%	%	%
15th fiscal period	6,403	1.3	0.7	22.4
14th fiscal period	567	0.1	0.1	1.9

(2) Distributions

	Distribution per unit	Total distributions	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Distributions to net assets
	[excluding distribution in excess of earnings] yen	million yen	yen	million yen	%	%
15th fiscal period	6,404	1,175	0	0	100.0	1.3
14th fiscal period	567	104	0	0	100.0	0.1

(3) Financial Position

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
15th fiscal period	168,939	91,548	54.2	498,563
14th fiscal period	173,711	90,476	52.1	492,726

(4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
15th fiscal period	2,427	(2,317)	(6,230)	11,751
14th fiscal period	8,578	(3,844)	(1,447)	17,871

2. FORECASTS OF RESULTS FOR THE 16th FISCAL PERIOD (January 1, 2014 to June 30, 2014) and 17th FISCAL PERIOD (July 1, 2014 to December 31, 2014)

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
16th fiscal period	5,150	(2.2)	1,593	(3.4)	1,135	(3.6)	1,133	(3.6)
17th fiscal period	5,135	(0.3)	1,556	(2.3)	1,085	(4.4)	1,083	(4.4)

	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
16th fiscal period	6,170		0	
17th fiscal period	5,900		0	

[Reference] Estimated net income per unit for the 16th fiscal period: ¥6,170

Estimated net income per unit for the 17th fiscal period: ¥5,900

3. OTHER

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- | | |
|---|------|
| (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: | None |
| (b) Changes in accounting policies other than in (a): | None |
| (c) Changes in accounting estimates: | None |
| (d) Retrospective restatement: | None |

(2) Number of Investment Units Issued and Outstanding

- | | |
|--|---------------|
| (a) Number of investment units issued and outstanding (including own investment units) at end of period: | |
| 15th fiscal period: | 183,625 units |
| 14th fiscal period: | 183,625 units |
| (b) Number of own investment units at end of period: | |
| 15th fiscal period: | 0 units |
| 14th fiscal period: | 0 units |

*Notice on Implementation Status of Auditing Procedures

As of the date of disclosure of this financial report, auditing procedures of financial statements based on the Financial Instruments and Exchange Law have not yet been completed.

*Explanation on Appropriate Use of Forecast of Business Results, and Other Matters of Special Note

The forecast and outlook of business results and other forward-looking statements contained in this report are based on information currently available to and certain preconditions and assumptions deemed reasonable by MID REIT, Inc. Accordingly, actual business results and other performance may differ materially due to a variety of factors.

Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

For the preconditions and assumptions underlying the forecast of business results, matters of note in the use of the forecast of business results, and other matters of special note, please refer to “2. Asset Management Conditions; (2) Outlook of Next Fiscal Period; (b) Outlook of Business Results” on page 7.

1. Asset Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Target” and “Distribution Policy” presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on September 25, 2013).

2. Asset Management Conditions

(1) Overview of Fiscal Period under Review

(a) Brief Background to MID REIT

MID REIT, Inc. (hereafter, “MID REIT”) was established by MID REIT Management Co., Ltd. (hereafter, the “Asset Management Company”) on June 1, 2006 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (hereafter, the “Investment Trust Act”), and listed on the Tokyo Stock Exchange, Inc.’s Real Estate Investment Trust Section (Securities Code: 3227) on August 29, 2006.

As of the end of the fiscal period under review (15th fiscal period: July 1, 2013 to December 31, 2013), the total number of investment units issued and outstanding was 183,625 investment units.

As of the end of the 15th fiscal period, MID REIT’s portfolio comprised of 12 properties with the sum total of acquisition prices amounting to ¥157,670 million.

MID REIT conducts asset management with investment focused on office buildings in the Osaka area under the basic policy of managing assets in pursuit of securing stable revenue and achieving steady growth of its assets under management from a medium- to long-term perspective.

(b) Investment Environment and Management Performance

(i) Investment Environment

In the 15th fiscal period, with expectations for the Abe administration’s economic measures and financial policy, the Japanese economy saw the furthering of yen depreciation and high stock prices, with a continuation of the gradual recovery trend due to the recovery of price competitiveness with the yen depreciation, the improvement of the performance of the manufacturing sector with the backdrop of increased export volume and production volume, the improvement of consumer sentiment, etc. Going forward, while there are concerns with regard to the risk of rising long-term interest rates and the impact that the downswing of overseas economies may have on the Japanese economy, a definite progression of economic recovery is expected as investment sentiment is picking up and private consumption is strong amidst improvements in the sales and revenue of corporations.

In the real estate investment market, backed by the financial environment that has turned around and coupled with improvement in real estate fundamentals, property acquisitions by J-REITs and other Japanese investors continues to be of a high level. Also, in addition to the acquisition activities of foreign funds and other overseas investors becoming active, there are capital inflows through the asset management companies, etc. of corporate owners and the willingness for investment is growing strong. Given such market trends, the transaction volume in the real estate investment market in Osaka is also increasing.

According to the Ministry of Land, Infrastructure, Transport and Tourism’s Land Price LOOK Report for the third quarter (July 1 to October 1) of 2013, the land price of intensively used land of major cities in Japan increased in 107 of the 150 districts, remained flat in 34 districts and decreased in 9 districts. The state of the number of districts with the land price increasing or remaining flat accounting for about 94% of the total indicates that the land price trend is continuing to take a turn toward an upward trend. However, in the Osaka Business Park (hereafter, the “OBP”), where MID REIT’s core properties are situated, transaction yields and land prices remained unchanged.

In the office leasing market in Osaka, with completion of a large office rental property Grand Front Osaka on the north side of JR Osaka Station in March 2013 with vacancies, the vacancy rate for the business areas of Osaka City temporarily exceeded the 10% level. Nevertheless, the Osaka office leasing market was on a recovery trend as well with an improving vacancy rate, as evident for example by continuing movements that lead to growth of demand, such as office relocations from the suburbs to central Osaka which is highly convenient and relocations from own buildings to offices for good location and environment improvement, though it has not yet reached the stage of rising rent level.

(ii) Asset Management Performance

<Investment Performance>

During the 15th fiscal period, MID REIT acquired Dormy Inn Hakata Gion (acquisition price: 2,280 million yen), a property developed by MID Urban Development Co., Ltd. (hereafter, "MID Urban Development"), as of September 30, 2013 under the support of the sponsor.

As a result, MID REIT's portfolio as of the end of the 15th fiscal period was comprised of 12 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 82.0% in the Osaka area and 18.0% in the Tokyo metropolitan area and other areas and are distributed in terms of property type with 80.2% being office buildings and 19.8% being others. Furthermore, concerning the silent partnership interests (hereafter, the "Silent Partnership Interests") in a silent partnership (hereafter, the "Silent Partnership") operated by Sakura Dori Development Limited Liability Company, which developed Sakura Dori MID Building, held by MID REIT, due to the liquidation of the Silent Partnership and redemption of interests following the transfer of Sakura Dori MID Building, the managed asset, ¥116 million was recorded as loss on the liquidation of the silent partnership interests in the 15th fiscal period.

<Performance of Management of Portfolio Assets>

In view of securing stable revenue from a medium- to long-term perspective pursuant to its basic policy, leveraging the strengths of having as its sponsor a comprehensive real estate business group that primarily operates in Osaka, MID REIT is promoting the heightening of tenant satisfaction levels in seeking to attract new tenants and making its relationship of trust with existing tenants even stronger by working together with MID Property Management Co., Ltd., which is the company to which MID REIT outsources property management operations (hereafter, "MID Property Management") thereby striving to maintain and enhance occupancy rates.

In the fiscal period under review, while there were tenant departures, there were also activities of tenants for reasons of consolidating offices and improving locations, and MID REIT was able through the securing of new tenants to roughly maintain an occupancy rate of the same level as the previous period at 96.1%.

In particular, as a result of engaging in attraction of tenants to Matsushita IMP Building's floors which were vacated by a major tenant at the end of March 2013 as the issue of utmost importance, MID REIT successfully brought in a major tenant which now occupies three floors worth of space (4,428.84m²), more than the space which had been vacated, and a lease agreement was concluded on December 3, 2013. Due to this, an increase of the occupancy rate of Matsushita IMP Building in and after the next period (16th fiscal period) is expected.

In terms of building management, the satisfaction and convenience of existing tenants were increased at Twin 21 as well as aiming to increase the property's competitiveness to attract new tenants through the interior renewal of some of the common areas of lower floors and installation of LED lighting in addition to the ongoing renewal of the interior and sanitary facilities of standard floor common areas to maintain and increase the asset value and strengthen competitiveness.

(c) Overview of Fund Procurement

MID REIT procures funds pursuant to its financial policy that considers the maintaining of a balance between fund procurement flexibility and financial stability, including keeping the LTV at a conservative level, reducing refinancing risks and mitigating interest rate fluctuation risks.

As of the end of the 15th fiscal period, MID REIT had a balance of borrowings from 13 financial institutions in the amount of ¥65,550 million.

In the fiscal period under review, regarding the refinancing of the ¥28,500 million of maturing borrowings, ¥6,000 million yen was repaid with cash on hands while the ¥22,500 million yen was refinanced separately by repayment periods of three, five and seven years, thereby reducing procurement costs, diversifying repayment dates and extending borrowing periods.

As of the end of the 15th fiscal period, the ratio of interest-bearing liabilities to total assets stands at 38.8%, 100.0% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 62.8% of loans payable have fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

The following is the status of MID REIT's issuer ratings as of the end of the 15th fiscal period.

Credit rating agency	Issuer rating	Rating outlook
Rating and Investment Information, Inc. (R&I)	A-	Stable

(d) Overview of Business Performance and Distributions

As a result of the abovementioned asset management, MID REIT posted operating revenue of ¥5,265 million, operating income of ¥1,650 million, ordinary income of ¥1,177 million and net income of ¥1,175 million in its performance for the 15th fiscal period.

Concerning distributions, to ensure that distributions of retained earnings would be deductible for tax purposes based on application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including amendments thereto) (hereafter, the “Act on Special Measures Concerning Taxation”), MID REIT decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution per unit that are less than ¥1. Accordingly, MID REIT declared a distribution per unit of ¥6,404.

(2) Outlook of Next Fiscal Period

(a) Future Asset Management Policy and Challenges to Address

(i) Internal Growth Strategy

In the Osaka office rental market, which is MID REIT’s main investment target, while there can be seen an improvement in the vacancy rate as well as a comeback of office demand and such, more time is expected to be required for the rent level to recover and increase.

Under such circumstances, in view of maintaining and enhancing revenue over the medium and long term, MID REIT will remain dedicated to its efforts aimed at heightening the tenant satisfaction levels of existing tenants through the provision of comfortable office environments and services, as well as maintaining and improving rent income and occupancy rates through initiatives for attracting new tenants.

<Strategy on Existing Tenants Aimed at Maintaining High Occupancy Rates>

As an initiative for discerning the needs and heightening the satisfaction levels of existing tenants, the Asset Management Company conducts a survey of satisfaction levels on the tenants of Twin 21 and other multi-tenant buildings in MID REIT’s portfolio. Since the start of the survey with the first survey conducted in the 1st fiscal period, the survey has been conducted a total of eight times. Based on the results of analysis of the survey, adequate measures are formed and follow-up activities performed. In the most recent survey, on top of maintaining high ratings for “Ambience,” “Effectiveness of facility management” and other items for which high ratings have been achieved from before, satisfaction levels are also improving for more than half of the rated items. In particular, there has been increasing praise with regard to the “enhancement of common areas,” and MID REIT believes that it is able to increase the satisfaction and convenience of existing tenants through the renewal of the interior and sanitary equipment of common areas of a standard floor at Twin 21, a major asset of MID REIT, which has been ongoing from the previous period.

The results of the concerned survey are used as the base in instructing MID Property Management and building management companies, as well as in considering and carrying out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs.

Moreover, proactive efforts are being made to suggest floor space expansion and other proposals in response to tenant needs, on the basis of various opinions and requests that can be obtained from the fine-tuned relationship MID Property Management keeps with existing tenants in its daily operations.

By proceeding to conduct such initiatives, MID REIT will keep striving to heighten tenant satisfaction levels and will remain committed to maintaining and enhancing occupancy rates.

<Strategy on Leasing to Attract New Tenants>

The OBP area, in which such buildings as MID REIT’s core assets of Twin 21 and Matsushita IMP Building are situated, is a conglomerate business area adjacent to Osaka Castle Park and its lush greenery, and features outstanding access as it is within walking distance of six stations serving four railway lines, including one of Osaka’s leading terminal stations Kyobashi Station. Combined with spacious floor space, ability to secure ample parking space, etc., the OBP area exhibits strong capacity to attract tenants. In addition, there have been announcements that, compared to other business areas in Osaka, the OBP area has low risk of flooding because it is situated on ground that is as twice as high as the past-expected tsunami height (5.2m), has low expected seismic intensity in the event of a large-scale earthquake, and most of the area has found to be one where liquefaction is highly unlikely to occur according to liquefaction predictions, etc. Based on these, the OBP area can be said to be an area where safe and secure office environments can be provided. With more and more tenants placing emphasis on safety, earthquake resistance performance, BCP measures, etc. of office buildings since the Great East Japan Earthquake, for Twin 21 and Matsushita IMP Building, initiatives are taken to attract new tenants, or proactive initiatives are taken to attract group companies or partners of existing tenants, by drawing on these properties’ strength of being large office buildings situated in the OBP area that is recognized as exhibiting one of the most superior capacities to

respond to disaster prevention within Osaka City's business areas.

Moreover, initiatives are also taken at other portfolio assets to attract new tenants by making proposals in line with tenant size and needs.

Leveraging the strengths of having as its sponsor a comprehensive real estate business group that primarily operates in Osaka, the Asset Management Company will conduct market analyses by utilizing tenant information, etc. that MID Property Management has acquired in working closely with the site and, based on the results, will develop strategies for attracting tenants, including value-enhancement plans that lead to increased competitiveness of MID REIT's portfolio assets, in order to carry out effective attracting of new tenants.

<Enhance Property Competitiveness>

MID REIT conducts upgrading of facilities and renewal of interiors one after another in view of provision of comfortable office environments and enhancement of leasing capacity. MID REIT will also carry out such initiatives as systematic upgrading that reflect tenant satisfaction survey results, matters pointed out and requested by tenants, etc.

<Address Energy Saving and CO₂ Reduction>

MID REIT will appropriately respond to the requests of society via CO₂ reduction efforts through such initiatives as introducing energy-saving facilities and equipment.

As of the end of the 15th fiscal period, Twin 21, Matsushita IMP Building, Kitahama MID Building and Higobashi MID Building, have received "Silver 2013" rank under DBJ Green Building Certification by Development Bank of Japan Inc. Moreover, Higobashi MID Building has received the rank of "A Class" by the City of Osaka's Comprehensive Assessment System for Building Environmental Efficiency (CASBEE Osaka) in February 2010, which is a tool for comprehensive assessment and rating of not only consideration for the environment, such as use of energy-conserving and low-environmental-load resources and materials, but also consideration for the indoor and outdoor built environment and other building quality and performance.

Furthermore, as part of the OBP renovation project, the "technological demonstration concerning power supply systems utilizing corporate-owned electric vehicles (hereafter, "EVs" and plug-in hybrid vehicles (hereafter, "PHVs"))" (a fiscal 2013 next-generation energy technology demonstration project employed by the Ministry of Economy, Trade and Industry as of June 14, 2013) planned by the OBP Development Council, Kansai Electric Power, the sponsor MID Urban Development and others is scheduled to be implemented at Matsushita IMP Building in and after fiscal 2014. This is a demonstration experiment with the purpose of the construction of a system that can level the charge load of EVs under normal circumstances, apply electric peak cuts utilizing the batteries of EVs and PHVs and supply power in times of disasters, assuming that automobiles owned by companies in the OBP area will transition to EVs and PHVs to realize a low-carbon society, and MID REIT is cooperating with the project in view of its "benefits for the public" and "expectations for increased attention on the OBP area."

(ii) External Growth Strategy

MID REIT will proceed to aim to enhance the quality of its portfolio via such measures as acquiring assets under management in view of minimizing asset and building management costs through economies of scale, mitigating risks of fluctuations in revenue with the effects of diversifying its portfolio of assets under management, and such.

Acquisitions of assets under management will proceed to be examined with a focus on office buildings in the Osaka area, but MID REIT will also proceed to proactively examine with a view to acquiring properties deemed appropriate as an investment target in light of the location, size, etc. from a range of areas and asset types in the Tokyo metropolitan area, government-designated cities, and others.

Furthermore, the long-term target portfolio asset size is set at the ¥200 billion level (based on acquisition price). Moreover, the pipeline support from MID Urban Development, etc. will continue to be proactively leveraged.

(iii) Financial Strategy

Ongoing efforts will be made at keeping the LTV at a conservative level, stable fund procurement, diversifying repayment dates for interest-bearing liabilities, promoting the addition of lending financial institutions with the goal of maintaining financial stability. In addition, measures will be taken to hedge against interest rate fluctuation risks by fixing interest rates depending on interest rate trends.

(b) Outlook of Business Results

MID REIT expects the following business results for its 16th fiscal period (January 1, 2014 to June 30, 2014). For the assumptions underlying the forecast of business results, please refer to the “Assumptions Regarding Business Results Forecasts for the 16th Fiscal Period (January 1, 2014 to June 30, 2014) and the 17th Fiscal Period (July 1, 2014 to December 31, 2014)” below.

Operating revenue	¥5,150 million
Operating income	¥1,593 million
Ordinary income	¥1,135 million
Net income	¥1,133 million
Distribution per unit	¥6,170
Distribution in excess of earnings per unit	¥0

In addition, assuming that the “Assumptions Regarding Business Results Forecasts for the 16th Fiscal Period (January 1, 2014 to June 30, 2014) and the 17th Fiscal Period (July 1, 2014 to December 31, 2014)” remain unchanged, MID REIT expects the following business results forecasts for its 17th fiscal period (July 1, 2014 to December 31, 2014).

Operating revenue	¥5,135 million
Operating income	¥1,556 million
Ordinary income	¥1,085 million
Net income	¥1,083 million
Distribution per unit	¥5,900
Distribution in excess of earnings per unit	¥0

[Note] The business results forecasts presented herein are current expectations calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may differ from the forecasts due to changes in the conditions. Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

Assumptions Regarding Business Results Forecasts
for the 16th Fiscal Period (January 1, 2014 to June 30, 2014)
and the 17th Fiscal Period (July 1, 2014 to December 31, 2014)

Item	Assumption(s)
Assets under management	<ul style="list-style-type: none"> • Assumes there will be no changes (new property acquisition, sale of existing property, etc.) in MID REIT's assets under management from the 12 properties it owns as at December 31, 2013. • The actual assets under management may vary due to changes in the property portfolio and other factors.
Operating revenue	<ul style="list-style-type: none"> • Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as at December 31, 2013 with due consideration given to such factors as the market environment, the characteristics and market competitiveness of individual properties, status of individual tenants. • Operating revenue is calculated assuming there are no tenant defaults or non-payments of rent by tenants.
Operating expenses	<ul style="list-style-type: none"> • Of the expenses related to rent business, which constitute a principal component of operating expenses, expenses other than depreciation and amortization are calculated based on historical data and reflecting seasonal and other factors that may cause fluctuations in expenses. • Property management fees in the amount of ¥644 million are expected for the 16th fiscal period and ¥648 million are expected for the 17th fiscal period. • Utility expenses in the amount of ¥513 million are expected for the 16th fiscal period and ¥608 million are expected for the 17th fiscal period. • Property taxes, etc. in the amount of ¥516 million are expected for the 16th fiscal period and ¥527 million are expected for the 17th fiscal period. • The amount expected to be necessary for building repair costs in the respective fiscal period is recorded as expenses. MID REIT expects repair costs for the 16th fiscal period will be ¥113 million more than the 15th fiscal period to amount to ¥160 million. Furthermore, please note that actual repair costs may differ significantly from the forecasted amounts due to various reasons, including repair costs possibly arising from damages, etc. to buildings due to unexpected causes. • Depreciation and amortization are calculated based on the straight-line method inclusive of associated costs and future additional capital expenditures. MID REIT estimates ¥1,127 million for the 16th fiscal period and ¥1,135 million for the 17th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses of ¥370 million are expected for the 16th fiscal period and ¥380 million are expected for the 17th fiscal period. • Borrowing related expenses of ¥89 million are expected for the 16th fiscal period and ¥91 million are expected for the 17th fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> • Assumes the balance of interest-bearing liabilities outstanding will be ¥65,425 million at the end of the 16th fiscal period and ¥65,300 million at the end of the 17th fiscal period. • Assumes the scheduled repayment in the 17th fiscal period of ¥125 million (due for repayment on July 31, 2014) will be repaid using cash reserves. • Assumes the ¥13,800 million in loans payable that will be due for repayment in the 17th fiscal period (due for repayment on July 31, 2014) will be refinanced in the same amount.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> • Assumes the number of investment units issued and outstanding will be the 183,625 units as at December 31, 2013 and no additional investment units will be issued through to December 31, 2014.
Distribution per unit	<ul style="list-style-type: none"> • Distribution per unit is calculated assuming the cash distribution policy set forth in the Articles of Incorporation of MID REIT. • Distribution per unit could change due to various factors, including changes in assets under management, fluctuations in rent income associated with tenant changes, etc., incurrence of unexpected repairs, fluctuations in interest rates, and the issuance of additional investment units.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • Assumes there will be no cash distributions in excess of earnings (distributions in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • Assumes no changes will be made to laws, the tax system, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. affecting the aforementioned forecasts. • Assumes there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.

3. Investment Risks

Disclosure is omitted because there are no significant changes from the "Investment Risks" presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on September 25, 2013).

4. Financial Statements

(1) Balance Sheets

	[Unit: thousand yen]	
	14th Fiscal Period	15th Fiscal Period
	[as of June 30, 2013]	[as of December 31, 2013]
Assets		
Current assets		
Cash and deposits	14,431,265	7,869,117
Cash and deposits in trust	5,519,113	5,961,132
Operating accounts receivable	124,827	118,801
Consumption taxes receivable	70,474	—
Prepaid expenses	13,106	22,166
Deferred tax assets	29	27
Total current assets	20,158,817	13,971,244
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	62,009,392	63,565,514
Accumulated depreciation	(12,542,465)	(13,612,976)
Buildings in trust, net	49,466,927	49,952,538
Structures in trust	107,849	107,849
Accumulated depreciation	(15,245)	(16,981)
Structures in trust, net	92,604	90,868
Machinery and equipment in trust	7,916	7,916
Accumulated depreciation	(80)	(408)
Machinery and equipment in trust, net	7,835	7,507
Tools, furniture and fixtures in trust	431,505	448,423
Accumulated depreciation	(198,918)	(232,439)
Tools, furniture and fixtures in trust, net	232,587	215,984
Land in trust	103,277,324	104,273,346
Total property, plant and equipment	153,077,279	154,540,245
Intangible assets		
Software	893	777
Right of trademark	672	608
Total intangible assets	1,566	1,386
Investments and other assets		
Investment securities	162,757	—
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	301,493	416,898
Total investments and other assets	474,251	426,898
Total noncurrent assets	153,553,096	154,968,530
Total assets	173,711,914	168,939,774

	[Unit: thousand yen]	
	14th Fiscal Period	15th Fiscal Period
	[as of June 30, 2013]	[as of December 31, 2013]
Liabilities		
Current liabilities		
Operating accounts payable	290,520	243,224
Current portion of long-term loans payable	28,750,000	14,050,000
Accounts payable – other	634,184	736,300
Accrued expenses	126,759	112,138
Distribution payable	9,845	8,008
Income taxes payable	1,222	1,216
Accrued consumption taxes	—	23,278
Advances received	665,915	674,381
Other	451,766	410,404
Total current liabilities	30,930,214	16,258,951
Noncurrent liabilities		
Long-term loans payable	42,925,000	51,500,000
Tenant leasehold and security deposits	7,140,955	7,371,830
Tenant leasehold and security deposits in trust	2,238,868	2,260,332
Total noncurrent liabilities	52,304,823	61,132,163
Total liabilities	83,235,038	77,391,115
Net assets		
Unitholders' equity		
Unitholders' capital	90,372,613	90,372,613
Surplus		
Unappropriated retained earnings (undisposed loss)	104,262	1,176,045
Total surplus	104,262	1,176,045
Total unitholders' equity	90,476,875	91,548,659
Total net assets	90,476,875	91,548,659
Total liabilities and net assets	173,711,914	168,939,774

(2) Statements of Income

	[Unit: thousand yen]	
	14th Fiscal Period	15th Fiscal Period
	[Jan. 1, 2013 to June 30, 2013]	[July 1, 2013 to Dec. 31, 2013]
Operating revenue		
Rent revenue – real estate	4,751,397	4,858,597
Other lease business revenue	705,762	407,375
Total operating revenue	5,457,160	5,265,973
Operating expenses		
Expenses related to rent business	3,020,056	2,979,848
Loss on sales of real estate properties	1,296,499	–
Loss on liquidation of silent partnership interests	–	116,946
Asset management fee	356,459	409,395
Asset custody fee	8,741	8,440
Administrative service fees	43,499	35,406
Directors' compensations	5,700	5,700
Other operating expenses	79,565	59,967
Total operating expenses	4,810,522	3,615,704
Operating income	646,637	1,650,269
Non-operating income		
Interest income	1,945	1,690
Reversal of distribution payable	1,165	900
Other	1	559
Total non-operating income	3,112	3,149
Non-operating expenses		
Interest expenses	417,707	382,045
Borrowing related expenses	109,987	93,722
Other	16,264	190
Total non-operating expenses	543,959	475,958
Ordinary income	105,791	1,177,460
Income before income taxes	105,791	1,177,460
Income taxes – current	1,617	1,559
Income taxes – deferred	(0)	2
Total income taxes	1,616	1,562
Net income	104,174	1,175,898
Retained earnings brought forward	87	146
Unappropriated retained earnings (undisposed loss)	104,262	1,176,045

(3) Statements of Cash Flows

	[Unit: thousand yen]	
	14th Fiscal Period	15th Fiscal Period
	[Jan. 1, 2013 to June 30, 2013]	[July 1, 2013 to Dec. 31, 2013]
Net cash provided by (used in) operating activities		
Income before income taxes	105,791	1,177,460
Depreciation and amortization	1,113,041	1,107,822
Amortization of long-term prepaid expenses	108,823	91,235
Interest income	(1,945)	(1,690)
Interest expenses	417,707	382,045
Loss on retirement of noncurrent assets	18,532	1,755
Decrease (increase) in operating accounts receivable	10,590	6,026
Decrease (increase) in consumption taxes refund receivable	(70,474)	70,474
Increase (decrease) in accrued consumption taxes	(44,686)	23,278
Increase (decrease) in operating accounts payable	(76,102)	(47,296)
Increase (decrease) in advances received	73,336	8,465
Decrease (increase) in prepaid expenses	10,857	(9,059)
Decrease (increase) in long-term prepaid expenses	—	(206,640)
Decrease from sales of property, plant and equipment in trust	7,397,754	—
Decrease from liquidation of silent partnership interests	—	162,757
Other	(63,799)	57,589
Subtotal	8,999,426	2,824,224
Interest income received	1,945	1,690
Interest expenses paid	(420,932)	(396,667)
Income taxes paid	(1,671)	(1,565)
Net cash provided by (used in) operating activities	8,578,768	2,427,681
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(3,608,618)	(2,471,141)
Proceeds from tenant leasehold and security deposits	126,711	354,768
Proceeds from tenant leasehold and security deposits in trust	231,710	376,233
Repayments of tenant leasehold and security deposits	(465,645)	(222,850)
Repayments of tenant leasehold and security deposits in trust	(126,711)	(354,768)
Payments for deposits in trust for tenant leasehold and security deposits in trust	(1,989)	—
Net cash provided by (used in) investing activities	(3,844,543)	(2,317,758)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	—	22,500,000
Repayment of long-term loans payable	(125,000)	(28,625,000)
Dividends paid	(1,322,604)	(105,051)
Net cash provided by (used in) financing activities	(1,447,604)	(6,230,051)
Net increase (decrease) in cash and cash equivalents	3,286,620	(6,120,128)
Cash and cash equivalents at beginning of period	14,584,716	17,871,337
Cash and cash equivalents at end of period	17,871,337	11,751,208

5. Real Estate for Investment

The following summarizes the assets (12 properties) owned by MID REIT as of December 31, 2013

Use	Region [Note 1]	Property		Type of Asset	Acquisition Price [Note 2] [million yen]	Book Value [Note 3] [million yen]	Appraisal Value [Note 4] [million yen]	Appraisal Company [Note 5]	Investment Ratio [Note 6] [%]	Collateral [Note 7]
		No.	Name							
Office Building	Osaka area	1	Twin 21 [Note 8]	Trust beneficiary interest	68,700	68,210	46,600	Morii	43.6	None
		2	Matsushita IMP Building		24,600	23,503	17,400	Tanizawa	15.6	None
		4	Midosuji MID Building		8,290	8,722	6,660	Tanizawa	5.3	None
		5	MID REIT Kyobashi Building		2,300	2,185	1,330	Tanizawa	1.5	None
		10	MID Imabashi Building		3,270	3,252	2,220	Tanizawa	2.1	None
		11	MID Midosujikawaramachi Building		2,000	1,946	1,370	Tanizawa	1.3	None
		12	Kitahama MID Building		10,800	10,673	8,160	JREI	6.8	None
		13	MID Nishihommachi Building		3,550	3,455	2,110	JREI	2.3	None
		14	Higobashi MID Building		3,000	3,014	3,110	JREI	1.9	None
		Subtotal						126,510	124,963	88,960
Other	Osaka area	8	Konami Sports Club Kyobashi	Trust beneficiary interest	2,780	2,524	2,970	Daiwa	1.8	None
	Other	9	AEON MALL Tsudanuma		26,100	24,755	25,000	Daiwa	16.6	None
		15	Dormy Inn Hakata Gion		2,280	2,295	2,500	Tanizawa	1.4	None
	Subtotal						31,160	29,576	30,470	
Total					157,670	154,540	119,430		100.0	

[Note 1] "Other" refers to the Tokyo metropolitan area, Government-designated cities (excluding the Osaka area) and other major cities.

[Note 2] "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 3] "Book Value" is the value appropriated to the balance sheets and is expressed as the applicable asset's acquisition price (including various acquisition expenses) less accumulated depreciation.

[Note 4] "Appraisal Value" is the appraisal value at the end of the fiscal period based on the appraisal report with December 31, 2013 as the date of the value opinion prepared by Morii Appraisal & Investment Consulting, Inc., Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. or Japan Real Estate Institute pursuant to the Regulations Concerning Accounting of Investment Corporations, methods and criteria for asset valuation defined in MID REIT's Articles of Incorporation and rules of The Investment Trusts Association, Japan.

[Note 5] Morii: Morii Appraisal & Investment Consulting, Inc.

Tanizawa: Tanizawa Sogo Appraisal Co., Ltd.

JREI: Japan Real Estate Institute

Daiwa: Daiwa Real Estate Appraisal Co., Ltd.

[Note 6] "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. Accordingly, the entered amounts do not necessarily add up to the figures presented in the "Subtotal" and "Total" rows.

[Note 7] "Collateral" states whether or not a pledge has been established for the real estate trust beneficiary interest.

[Note 8] Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

[Note 9] Monetary amounts are rounded down to the nearest million yen.