

**For Translation Purpose Only****REIT Financial Report for the 17th Fiscal Period (July 1, 2014 to December 31, 2014)**

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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[Monetary amounts in million yen are rounded down]

**1. PERFORMANCE FOR THE 17th FISCAL PERIOD (July 1, 2014 to December 31, 2014)****(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	%
17th fiscal period	5,173	0.3	1,538	(4.7)	1,087	(6.4)	1,093	(5.7)
16th fiscal period	5,157	(2.1)	1,614	(2.2)	1,161	(1.3)	1,160	(1.3)

	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
	yen	%	%	%
17th fiscal period	5,957	1.2	0.6	21.0
16th fiscal period	6,318	1.3	0.7	22.5

**(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]	[excluding distribution in excess of earnings]	per unit	in excess of earnings	ratio	to net assets
	yen	million yen	yen	million yen	%	%
17th fiscal period	5,958	1,094	0	0	100.0	1.2
16th fiscal period	6,318	1,160	0	0	100.0	1.3

**(3) Financial Position**

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
17th fiscal period	168,823	91,466	54.2	498,116
16th fiscal period	168,762	91,532	54.2	498,477

**(4) Cash Flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
17th fiscal period	2,261	(297)	(1,286)	13,126
16th fiscal period	2,494	(499)	(1,296)	12,449

## 2. FORECASTS OF RESULTS FOR THE 18th FISCAL PERIOD (January 1, 2015 to June 30, 2015) and 19th FISCAL PERIOD (July 1, 2015 to December 31, 2015)

[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	%
18th fiscal period	5,172	(0.0)	1,517	(1.4)	1,076	(1.0)	1,074	(1.8)
19th fiscal period	5,099	(1.4)	1,522	0.3	1,085	0.8	1,083	0.8

	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
18th fiscal period	5,850		0	
19th fiscal period	5,900		0	

[Reference] Estimated net income per unit for the 18th fiscal period: ¥5,850

Estimated net income per unit for the 19th 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:
- 17th fiscal period: 183,625 units
- 16th fiscal period: 183,625 units
- (b) Number of own investment units at end of period:
- 17th fiscal period: 0 units
- 16th 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 6.

## 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, 2014).

## 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 Trusts 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 (17th fiscal period: July 1, 2014 to December 31, 2014), the total number of investment units issued and outstanding was 183,625 investment units.

As of the end of the 17th 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 17th fiscal period, the Japanese economy continued to show moderate recovery, as evident by such factors as the steady consumer spending despite effects being seen on the rebound of the last-minute surge in demand ahead of the consumption tax hike, the continuous trend of yen depreciation and high stock prices backed by Bank of Japan’s monetary easing policies, etc. and the ongoing improvement in corporate earnings. Going forward, while there are downside risks to the global economy, etc., the Japanese economy is expected to continue to head toward economic recovery in light of the progress in corporate earnings improvement and the pickup in investment sentiment.

In the real estate investment market, backed by a favorable financial and capital environment, active property acquisitions by J-REITs in line with new listings and capital increase through public offerings continued to take place. Acquisition activities by private funds, business corporations and overseas investors are also robust, and market cap rates are also on a declining trend due in part to the limited supply of properties in favorable locations and the foreseen signs of recovery in the leasing market leading to anticipation for future rise in real estate prices. Given such market trends, the transaction volume in the real estate investment market in Osaka is also trending further upward.

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 2014, the land price of intensively used land of major cities in Japan increased in 124 of the 150 districts, remained flat in 26 districts and decreased in none of the districts. The number of districts with the land price increasing accounting for over 80% of the total indicates that the land price trend continues to be on an upward trend. The land price also increased for approximately 80% in the Osaka area.

In the office leasing market, vacancy rates continued to improve, centering on central Tokyo, as office demand increased due to improving business sentiment, and bottoming out of the rent level is becoming clearly visible.

In the office leasing market in Osaka, the vacancy rate for the business areas of Osaka City continues to be on a recovery trend, as evident by such factors as progress in the filling up of vacancies at the large-scale office rental property Grand Front Osaka and office demand also remaining strong. In particular, with office relocations seeking better location and environment, including relocations for consolidation, continuing to be seen, there are increasing opportunities leading to contracts with new tenants. Going forward, although ongoing-contract rent of existing tenants is yet to increase, such factors as progress in improvement in the terms and conditions of new-contract rent and new supply of large-scale office buildings being limited will lead to the steady filling up of vacancies continuing and the supply-demand balance is thus expected to further improve.

## (ii) Asset Management Performance

## &lt;Investment Performance&gt;

During the 17th fiscal period, MID REIT did not acquire or sell any real estate, etc. MID REIT's portfolio as of the end of the 17th 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.

## &lt;Performance of Management of Portfolio Assets&gt;

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 17th fiscal period, in an environment showing recovery in office demand, there were active tenant movements for reasons of integration of offices and improvement of location. Despite tenant exits arising, having attracted new tenants early led to high occupancy of the same level as that at the end of the previous fiscal period managing to be maintained, with the occupancy rate at the end of the 17th fiscal period at 97.7%. Notably, at Higobashi MID Building, making proposals in line with tenant needs and other proactive initiatives for attracting new tenants resulted in occupancy rate of 100%.

In terms of building management, at Twin 21, ongoing renewal of the interior and sanitary facilities of common areas of a typical floor plate for the purpose of maintaining and enhancing asset value and strengthening competitiveness are being implemented in an aim to heighten the satisfaction levels of and convenience for existing tenants and to enhance property competitiveness in view of attracting new tenants.

In particular, at the Osaka Business Park (hereafter, "OBP"), renewal of the Twin 21 entrance, etc. and PR activities are being implemented to enhance the recognition and brand image of the OBP as a business area where "greenery" and "comfort" make it a favorable place to work from the viewpoint of office workers.

## (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 17th fiscal period, MID REIT had a balance of borrowings from 15 financial institutions in the amount of ¥65,300 million.

In the 17th fiscal period, in the refinancing of a ¥13,800 million long-term loan payable (loan period: three years) that became due for repayment, in addition to procurement cost reduction efforts, MID REIT borrowed in different loan periods of three, five, six and seven years in an effort to stagger repayment dates and extend loan periods.

As of the end of the 17th fiscal period, the ratio of interest-bearing liabilities to total assets stands at 38.7%, 100.0% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 62.6% 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 17th 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 ¥5,173 million, operating income of ¥1,538 million, ordinary income of ¥1,087 million and net income of ¥1,093 million in its performance for the 17th 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 ¥5,958.

(2) Outlook of Next Fiscal Period

(a) Future Asset Management Policy and Challenges to Address

(i) Internal Growth Strategy

In the Osaka office leasing market, which is MID REIT's main investment target, decrease in new supply while office demand remained strong led to improvement in vacancy rates continuing. However, although improvement in new-contract lease terms and conditions was found at some large-scale buildings, rent has yet to rise in the market on the whole. Therefore, a certain amount of time is still forecast to be required until there will be full-scale increase in ongoing-contract rent.

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 has been conducting a survey of tenant satisfaction levels on the tenants of Twin 21 and other multi-tenant buildings in MID REIT's portfolio since the first fiscal 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.

In the 17th fiscal period, the survey was conducted for the ninth time, in which tenant satisfaction levels improved for not only "Ambience," "Effectiveness of facility management" and other items for which high ratings have been achieved from before but for almost all of the rated items. In addition, approximately 90% of office workers working at Twin 21 and Matsushita IMP Building highly rated the renewal of Twin 21, which is underway as part of OBP value-enhancement efforts, in that "the ambience of the facility has improved on the whole."

Keeping up such initiatives to listen to the "voice of office workers" is believed to lead to enhancement of the satisfaction levels of existing tenants and the value of portfolio assets.

Moreover, making proactive efforts to also 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, MID REIT will keep striving to increasingly heighten tenant satisfaction levels and maintain and enhance 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.

There have been announcements that, compared to other business areas in Osaka, the OBP 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 been found to be one where liquefaction is highly unlikely to occur according to liquefaction predictions, etc. Based on these, the OBP can be said to be an area where safe and secure office environments can be provided. With the recent increase in number of inquiries from tenants placing emphasis on BCP measures, etc., 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-scale office buildings situated in the OBP that is recognized as exhibiting one of the most superior capacities to respond to disaster prevention within Osaka City's business areas.

Furthermore, MID REIT launched PR activities in the 17th fiscal period aimed at enhancing the value of the OBP under the basic concept of "business can be more relaxing." MID REIT believes that the targeted office workers at companies in Osaka and major companies' Kansai branches will rediscover the benefits of the OBP through such, and thereby lead to maintaining and enhancement of the competitiveness of Twin 21 and Matsushita IMP Building as well as leasing to new tenants, etc.

Moreover, initiatives are also taken at other portfolio assets such as MID Midosujikawaramachi Building to attract new tenants by making proposals in line with tenant size and needs amid the recovering office leasing market.

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 CO<sub>2</sub> Reduction>

MID REIT will appropriately respond to the requests of society via CO<sub>2</sub> reduction efforts through such initiatives as introducing energy-saving facilities and equipment.

As of the end of the 17th fiscal period, Twin 21, Matsushita IMP Building, Kitahama MID Building and Higobashi MID Building have been certified by Development Bank of Japan Inc. under DBJ Green Building Certification (system assigning one of five ranks of certification) with the certification rank of "three stars" as "properties with excellent environmental and social awareness." 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")" (fiscal 2013 and fiscal 2014 next-generation energy technology demonstration project of the Ministry of Economy, Trade and Industry) planned by the Osaka Business Park Development Council, The Kansai Electric Power Co., Inc., MID Urban Development Co., Ltd. (hereafter, "MID Urban Development") and others was launched in the 17th fiscal period at Matsushita IMP Building. 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 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 18th fiscal period (January 1, 2015 to June 30, 2015). For the assumptions underlying the forecast of business results, please refer to the "Assumptions Regarding Business Results Forecasts for the 18th Fiscal Period (January 1, 2015 to June 30, 2015) and the 19th Fiscal Period (July 1, 2015 to December 31, 2015)" below.

Operating revenue	¥5,172 million
Operating income	¥1,517 million

Ordinary income	¥1,076 million
Net income	¥1,074 million
Distribution per unit	¥5,850
Distribution in excess of earnings per unit	¥0

In addition, assuming that the “Assumptions Regarding Business Results Forecasts for the 18th Fiscal Period (January 1, 2015 to June 30, 2015) and the 19th Fiscal Period (July 1, 2015 to December 31, 2015)” remain unchanged, MID REIT expects the following business results forecasts for its 19th Fiscal Period (July 1, 2015 to December 31, 2015).

Operating revenue	¥5,099 million
Operating income	¥1,522 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 18th Fiscal Period (January 1, 2015 to June 30, 2015) and the  
19th Fiscal Period (July 1, 2015 to December 31, 2015)

Item	Assumption(s)
Assets under management	<ul style="list-style-type: none"> <li>• 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, 2014.</li> <li>• The actual assets under management may vary due to changes in the property portfolio and other factors.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as at December 31, 2014 with due consideration given to such factors as the market environment, the characteristics and market competitiveness of individual properties, status of individual tenants.</li> <li>• Operating revenue is calculated assuming there are no tenant defaults or non-payments of rent by tenants.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Of the expenses related to rent business, which constitute a principal component of operating expenses, expenses other than depreciation are calculated based on historical data and reflecting seasonal and other factors that may cause fluctuations in expenses.</li> <li>• Property management fees in the amount of ¥650 million are expected for the 18th fiscal period and ¥642 million are expected for the 19th fiscal period.</li> <li>• Utilities expenses in the amount of ¥559 million are expected for the 18th fiscal period and ¥687 million are expected for the 19th fiscal period.</li> <li>• Property taxes, etc. in the amount of ¥527 million are expected for the 18th fiscal period and ¥527 million are expected for the 19th fiscal period.</li> <li>• The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. MID REIT expects repair expenses for the 18th fiscal period will be ¥253 million more than the 17th fiscal period to amount to ¥109 million. Furthermore, please note that actual repair expenses may differ significantly from the forecasted amounts due to various reasons, including repair expenses possibly arising from damages, etc. to buildings due to unexpected causes.</li> <li>• Depreciation is calculated based on the straight-line method inclusive of associated costs and future additional capital expenditures. MID REIT estimates ¥1,152 million for the 18th fiscal period and ¥1,159 million for the 19th fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Interest expenses of ¥352 million are expected for the 18th fiscal period and ¥351 million are expected for the 19th fiscal period.</li> <li>• Borrowing related expenses of ¥89 million are expected for the 18th fiscal period and ¥86 million are expected for the 19th fiscal period.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• Assumes the balance of interest-bearing liabilities outstanding will be ¥65,175 million at the end of the 18th fiscal period and ¥65,050 million at the end of the 19th fiscal period.</li> <li>• Assumes the scheduled repayment in the 19th fiscal period of ¥125 million (due for repayment on July 31, 2015) will be repaid using cash reserves.</li> <li>• Assumes loans payable due for repayment in the 19th fiscal period in the amount of ¥6,500 million (due for repayment on July 31, 2015) and ¥8,500 million (due for repayment on July 31, 2015) will be refinanced in the same amount.</li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>• Assumes the number of investment units issued and outstanding will be the 183,625 units as at December 31, 2014 and no additional investment units will be issued through to December 31, 2015.</li> </ul>
Distribution per unit	<ul style="list-style-type: none"> <li>• Distribution per unit is calculated assuming the cash distribution policy set forth in the Articles of Incorporation of MID REIT.</li> <li>• 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.</li> </ul>
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>• Assumes there will be no cash distributions in excess of earnings (distributions in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Assumes there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.</li> </ul>

### 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, 2014).

## 4. Financial Statements

## (1) Balance Sheets

	[Unit: thousand yen]	
	16th Fiscal Period [as of June 30, 2014]	17th Fiscal Period [as of December 31, 2014]
Assets		
Current assets		
Cash and deposits	8,951,990	9,270,011
Cash and deposits in trust	5,502,756	5,862,063
Operating accounts receivable	129,557	123,973
Prepaid expenses	12,405	25,856
Deferred tax assets	26	22
Total current assets	<u>14,596,737</u>	<u>15,281,926</u>
Non-current assets		
Property, plant and equipment		
Buildings in trust	63,932,895	64,350,991
Accumulated depreciation	(14,700,917)	(15,796,682)
Buildings in trust, net	<u>49,231,977</u>	<u>48,554,309</u>
Structures in trust	108,687	109,614
Accumulated depreciation	(18,724)	(20,497)
Structures in trust, net	<u>89,962</u>	<u>89,116</u>
Machinery and equipment in trust	7,916	7,916
Accumulated depreciation	(736)	(1,064)
Machinery and equipment in trust, net	<u>7,179</u>	<u>6,852</u>
Tools, furniture and fixtures in trust	489,649	516,444
Accumulated depreciation	(267,536)	(302,603)
Tools, furniture and fixtures in trust, net	<u>222,112</u>	<u>213,841</u>
Land in trust	104,273,346	104,273,346
Construction in progress in trust	—	3,240
Total property, plant and equipment	<u>153,824,579</u>	<u>153,140,706</u>
Intangible assets		
Software	660	544
Trademark right	544	480
Total intangible assets	<u>1,205</u>	<u>1,024</u>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	329,956	390,315
Total investments and other assets	<u>339,956</u>	<u>400,315</u>
Total non-current assets	<u>154,165,741</u>	<u>153,542,045</u>
Total assets	<u>168,762,479</u>	<u>168,823,972</u>

	[Unit: thousand yen]	
	16th Fiscal Period [as of June 30, 2014]	17th Fiscal Period [as of December 31, 2014]
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	262,662	314,685
Current portion of long-term loans payable	14,050,000	15,250,000
Accounts payable – other	645,337	864,872
Accrued expenses	111,046	108,366
Distribution payable	11,095	8,976
Income taxes payable	1,223	1,145
Accrued consumption taxes	100,272	56,503
Advances received	713,800	711,940
Other	428,221	588,384
<b>Total current liabilities</b>	<b>16,323,659</b>	<b>17,904,875</b>
<b>Non-current liabilities</b>		
Long-term loans payable	51,375,000	50,050,000
Tenant leasehold and security deposits	7,517,704	7,340,053
Tenant leasehold and security deposits in trust	2,013,239	2,062,383
<b>Total non-current liabilities</b>	<b>60,905,943</b>	<b>59,452,436</b>
<b>Total liabilities</b>	<b>77,229,602</b>	<b>77,357,312</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	90,372,613	90,372,613
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	1,160,263	1,094,046
<b>Total surplus</b>	<b>1,160,263</b>	<b>1,094,046</b>
<b>Total unitholders' equity</b>	<b>91,532,877</b>	<b>91,466,660</b>
<b>Total net assets</b>	<b>91,532,877</b>	<b>91,466,660</b>
<b>Total liabilities and net assets</b>	<b>168,762,479</b>	<b>168,823,972</b>

## (2) Statements of Income

	[Unit: thousand yen]	
	16th Fiscal Period	17th Fiscal Period
	[Jan. 1, 2014 to June 30, 2014]	[July 1, 2014 to Dec. 31, 2014]
Operating revenue		
Rent revenue – real estate	4,795,497	4,790,441
Other lease business revenue	362,030	383,079
Total operating revenue	5,157,527	5,173,520
Operating expenses		
Expenses related to rent business	3,023,451	3,123,957
Asset management fee	399,023	395,177
Asset custody fee	8,344	8,340
Administrative service fees	41,528	41,966
Directors' compensations	5,700	5,700
Other operating expenses	65,412	59,698
Total operating expenses	3,543,460	3,634,840
Operating income	1,614,067	1,538,680
Non-operating income		
Interest income	1,812	1,560
Refund of unpaid distributions	1,132	705
Total non-operating income	2,944	2,265
Non-operating expenses		
Interest expenses	365,425	363,261
Borrowing related expenses	89,646	89,940
Other	195	194
Total non-operating expenses	455,268	453,396
Ordinary income	1,161,744	1,087,549
Extraordinary income		
Gain on insurance adjustment	–	76,543
Total extraordinary income	–	76,543
Extraordinary losses		
Loss on reduction of non-current assets	–	68,700
Total extraordinary losses	–	68,700
Income before income taxes	1,161,744	1,095,392
Income taxes – current	1,591	1,462
Income taxes – deferred	0	4
Total income taxes	1,591	1,466
Net income	1,160,152	1,093,925
Retained earnings brought forward	110	120
Unappropriated retained earnings (undisposed loss)	1,160,263	1,094,046

## (3) Statements of Cash Flows

	[Unit: thousand yen]	
	16th Fiscal Period	17th Fiscal Period
	[Jan. 1, 2014 to June 30, 2014]	[July 1, 2014 to Dec. 31, 2014]
Cash flows from operating activities		
Income before income taxes	1,161,744	1,095,392
Depreciation	1,127,133	1,133,321
Amortization of long-term prepaid expenses	86,941	86,240
Interest income	(1,812)	(1,560)
Interest expenses	365,425	363,261
Loss on retirement of non-current assets	7,511	0
Gain on insurance claim	—	(76,543)
Loss on reduction of non-current assets	—	68,700
Decrease (increase) in operating accounts receivable	(10,756)	5,584
Increase (decrease) in accrued consumption taxes	76,993	(43,768)
Increase (decrease) in operating accounts payable	19,438	52,022
Increase (decrease) in advances received	39,419	(1,859)
Decrease (increase) in prepaid expenses	9,760	(13,450)
Payments of long-term prepaid expenses	—	(146,599)
Other	(21,407)	5,527
Subtotal	<u>2,860,391</u>	<u>2,526,270</u>
Interest income received	1,812	1,560
Interest expenses paid	(366,517)	(365,940)
Proceeds from insurance income	—	100,842
Income taxes paid	(1,584)	(1,539)
Cash flows from operating activities	<u>2,494,101</u>	<u>2,261,192</u>
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(520,181)	(306,647)
Proceeds from tenant leasehold and security deposits	357,374	52,951
Proceeds from tenant leasehold and security deposits in trust	110,281	102,096
Repayments of tenant leasehold and security deposits	(162,989)	(92,757)
Repayments of tenant leasehold and security deposits in trust	(357,374)	(52,951)
Proceeds from withdrawal of deposits in trust for tenant leasehold and security deposits in trust	73,471	—
Cash flows from investing activities	<u>(499,417)</u>	<u>(297,308)</u>
Cash flows from financing activities		
Proceeds from long-term loans payable	—	13,800,000
Repayment of long-term loans payable	(125,000)	(13,925,000)
Dividends paid	(1,171,715)	(1,161,556)
Cash flows from financing activities	<u>(1,296,715)</u>	<u>(1,286,556)</u>
Net increase (decrease) in cash and cash equivalents	<u>697,969</u>	<u>677,327</u>
Cash and cash equivalents at beginning of period	<u>11,751,208</u>	<u>12,449,177</u>
Cash and cash equivalents at end of period	<u>12,449,177</u>	<u>13,126,505</u>

## 5. Real Estate for Investment

The following summarizes the assets (12 properties) owned by MID REIT as of December 31, 2014

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	67,813	46,000	Morii	43.6	None
		2	Matsushita IMP Building		24,600	23,126	17,700	Tanizawa	15.6	None
		4	Midosuji MID Building		8,290	8,602	6,960	Tanizawa	5.3	None
		5	MID REIT Kyobashi Building		2,300	2,155	1,370	Tanizawa	1.5	None
		10	MID Imabashi Building		3,270	3,224	2,240	Tanizawa	2.1	None
		11	MID Midosujikawaramachi Building		2,000	1,956	1,380	Tanizawa	1.3	None
		12	Kitahama MID Building		10,800	10,594	8,290	JREI	6.8	None
		13	MID Nishihommachi Building		3,550	3,419	2,150	JREI	2.3	None
		14	Higobashi MID Building		3,000	2,969	3,180	JREI	1.9	None
		Subtotal						126,510	123,863	89,270
Other	Osaka area	8	Konami Sports Club Kyobashi	Trust beneficiary interest	2,780	2,488	3,070	Daiwa	1.8	None
	Other	9	AEON MALL Tsudanuma		26,100	24,528	26,000	Daiwa	16.6	None
		15	Dormy Inn Hakata Gion		2,280	2,256	2,730	Tanizawa	1.4	None
	Subtotal						31,160	29,274	31,800	
Total					157,670	153,137	121,070		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, 2014 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.