



17th Fiscal Period

Business Report

July 1, 2014 to December 31, 2014



Leadership Message

With the end of the 17th fiscal period (July 1, 2014 to December 31, 2014) and start of the 18th fiscal period of MID REIT, Inc. (MID REIT), Tomoyuki Goto, President & CEO of MID REIT Management Co., Ltd. (MID REIT Management), was interviewed on the activities of the 17th fiscal period as well as the outlook for the 18th fiscal period in light of Kansai economic area trends, real estate market conditions and other factors.

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

Tomoyuki Goto

Q 1. Please firstly provide your insight on Osaka's economic trends throughout the 17th fiscal period.

Despite effects being seen on the rebound of the last-minute surge in demand ahead of the consumption tax hike, corporate business sentiment also maintains at a favorable level, suggesting moderate economic recovery.

Notably, the recent increase in low-cost carriers (LCCs) in service has led to steadily increasing

number of overseas travelers using Kansai International Airport.

Travelers, centering on those from China, South Korea, Taiwan and other Asian countries, are visiting Kansai to shop and to enjoy tourist spots such as Universal Studios Japan. Occupancy rates at hotels across Osaka seem to be rising with revitalization of the tourism industry.

In the office leasing market, we are also sensing

momentum as we are feeling a good response that is very much different from a year ago. With increase in contracts with new tenants at rent levels and under terms and conditions that we consider appropriate, there are signs of improvement in also the aspect of contract terms and conditions. Underlying this is thought to be the increase in potential corporate tenants' needs for relocation and existing tenants' needs for floor space expansion due to economic recovery. We feel that such growth in relocation and floor space expansion demand has led to an increase in cases of relatively early contracting with the next tenant even if a tenant were to move out of a property.

Q 2. So tenant demand seems to be growing. What do you see as being the points serving as determining factors for recent corporate tenants in deciding on moving into a property?

"Close, new and large," or in other words buildings that are in close proximity to a station, new and large scale, have been emphasized from before as being favored by tenants. That trend is undoubtedly still strong. Looking at Osaka's office circumstances from a slightly longer span, large-scale buildings along Midosuji in the Hommachi/Yodoyabashi area had been traditionally highly popular, but becoming highly

popular is the Umeda area with its many new buildings boasting high convenience in terms of access in both the Kobe direction and Kyoto direction and also high functionality in terms of facilities and specifications. In addition, since the Great East Japan Earthquake, there have been more and more companies keeping business continuity planning (BCP) strongly in mind when considering offices to which to relocate.

Looking at Osaka as a whole, office building vacancy rates are steadily falling. There are fewer and fewer large-scale office buildings that would be competitive with Twin 21 and Matsushita IMP Building having vacancies of a substantial floor space size. On the other hand, small- and medium-scale office buildings held by MID REIT are equipped with facilities and specifications of a level generally sought by tenants, but tenants tend to seek cost competitiveness (low level of rent) for such office buildings in many cases and fierce competition with buildings of the same scale is thus seen.

Q 3. What is the status of occupancy in the Osaka Business Park (OBP)? Any changes from past occupancy?

With 94.9% at Twin 21 and 96.6% at Matsushita IMP Building at the end of the 17th fiscal period, high occupancy rates are being

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Cover: Ebisubashi Bridge over Dotomborigawa River, Osaka

17th Fiscal Period Financial Highlights

(July 1, 2014 to December 31, 2014)

	16th Fiscal Period	17th Fiscal Period	18th Fiscal Period (Forecast) ^(Note)	19th Fiscal Period (Forecast) ^(Note)
Operating revenue	5,157 million yen	5,173 million yen	5,172 million yen	5,099 million yen
Ordinary income	1,161 million yen	1,087 million yen	1,076 million yen	1,085 million yen
Net income	1,160 million yen	1,093 million yen	1,074 million yen	1,083 million yen
Number of investment units	183,625 units	183,625 units	183,625 units	183,625 units
Distribution per unit	6,318 yen	5,958 yen	5,850 yen	5,900 yen

Asset size: **157.6** billion yen Number of properties: **12** Occupancy rate: **97.7%**

(Note) The forecast figures above were calculated as of February 16, 2015 under certain assumptions and may change according to changes of circumstances. Furthermore, the forecasts do not guarantee the full amount of distributions.

maintained. Leasing has been favorable, landing a large contract of two floors for Twin 21 in December, which was the last month of the 17th fiscal period. While leasing will not commence until February 2015, the status is one in which there are prospects of it leading to an increase in occupancy rates in subsequent fiscal periods.

The OBP at the time of its opening had a strong image as a new and advanced office environment and has even been named Osaka's "most desirable business district to work." However, there is an undeniable sense that this image has somewhat diminished with the times and increase in new office buildings in other business areas. Nevertheless, the OBP differs from other business areas in not only its location being safe in terms of strong disaster responsiveness but also in that it is a business district surrounded by lush greenery and water.

This environment of lush greenery can be said to be providing workers in the OBP "relaxing" comfort, amplifying attractiveness not found in other business areas.

MID REIT intends to enhance this attractiveness further through rediscovery of this attractiveness and planning of renewal work for outdoor facilities involving greening of the public open space connecting Twin 21 and Osaka Business Park Enkei Hall and the route to Matsushita IMP Hall.

Q4. **Apparently, an urban office district tends to be more mentally relaxing if there is a feel of open sky and lush greenery. Isn't "district where one can feel the sky" one of the characteristics of the OBP?**

The business environment adjacent to Osaka Castle Park and other abundant water and greenery can be described as being an

attractiveness of the OBP. As part of OBP value-enhancement efforts, MID REIT is dedicating efforts to raising the OBP's recognition as a business area where "greenery" and "comfort" make it a favorable place to work from the viewpoint of office workers.

In the 16th fiscal period, we renewed the entrance portion and inner walls of Twin 21 into designs with "greenery" in mind. In the 17th fiscal period, a large Christmas tree decoration event that we held for the second time had a great turnout. We hope that such greening of the facility, events, etc. that portray the seasons will lead to the OBP becoming the topic everyone is talking about even if little by little.

In addition, MID REIT launched PR strategies in the 17th fiscal period aimed at the OBP's further value enhancement under the concept of "business can be more relaxing." Efforts as part of advertising activities to convey the OBP's attractiveness as an area include, for instance, advertisements that call attention to this concept at the concourse to Yodoyabashi Station on the Osaka Municipal Subway Midosuji Line and the ticket gates to Keihan Electric Railway Kyobashi Station. It is a great pleasure to be approached by people saying they have seen the advertisements.

In February 2015, we revamped the content, including replacing the advertisement photo design. It will probably take a little longer before the advertising effects are seen, but we intend to keep up the efforts in view of enhancement of the brand image.

Q5. **What is the secret to maintaining a high occupancy rate at portfolio properties?**

Leveraging the strengths of having as our sponsor a comprehensive real estate business group that primarily operates in Osaka, we are consistently

working together with MID Property Management Co., Ltd., which is the company to which we outsource property management operations. In addition, we are promoting the heightening of tenant satisfaction levels in seeking to attract new tenants and making our relationship of trust with existing tenants even stronger. In this manner, we are striving to maintain and enhance occupancy rates.

We have been conducting a survey of tenant satisfaction levels on the tenants of Twin 21 and other multi-tenant buildings since the first fiscal period. 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 better ratings have been achieved from the previous survey, 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."

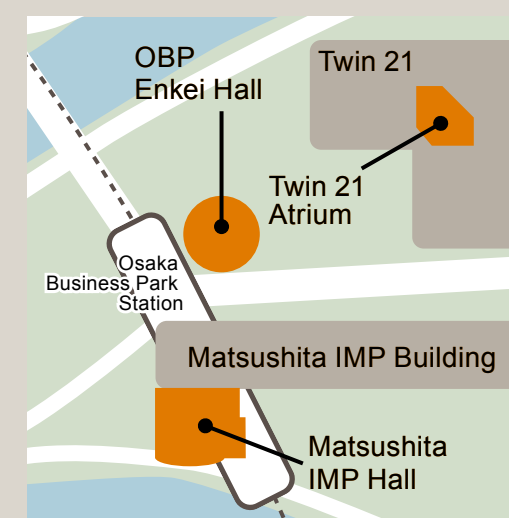
Keeping up such initiatives to listen to the "voices of office workers" is believed to lead to enhancement of the satisfaction levels of existing tenants, enhancement of the value of portfolio assets, and maintaining and enhancement of occupancy rates.

Q6. **What is your view of Osaka's real estate market conditions?**

Concerning developments in the Osaka real estate market overall, the transaction volume itself is probably small in comparison with Tokyo. However, Osaka also has many potential buyers on the one hand but a shortage in

Halls & Atriums in OBP

Twin 21 and Matsushita IMP Building held by MID REIT in the Osaka Business Park (OBP) are equipped with not only conference rooms, but also multi-purpose halls and event spaces that support business and sources of information and culture.



Matsushita IMP Hall (capacity: 857 persons) at Matsushita IMP Building 2F

Osaka Business Park Enkei Hall

A hall on the premises of Twin 21. With moving floors enabling floor plans accommodating to the purpose, the hall is available for a wide range of uses from ceremonies to fashion shows.

Matsushita IMP Hall

A hall on the second floor of Matsushita IMP Building. Employing a two-way system (seat specifications or flat specifications), the hall is available for such uses as movie previews using a 24,000lm projector as well as concerts and exhibitions.

Twin 21 Atrium

An entrance hall on the first floor of Twin 21. The four-floor atrium offering a large open space (18m high) is available for such uses as large public PR events and exhibitions.

the number of properties on the other, causing strong tightness in terms of the supply-demand balance like in Tokyo.

Asian high-net-worth individuals and foreign funds are taking a keen interest in retail buildings and restaurant buildings and there seem to have been transaction cases also found here and there. For Asian high-net-worth individuals who are active investors, the Japanese domestic real estate market may be sufficiently more attractive than that in their own country. There was a time when the rise in market cap rates (drop in prices) caused the Osaka real estate market to stagnate after the global financial crisis, but recovery in the business sentiment and growth in real estate investment demand were leading to signs of recovery being seen. Although a large volume of new supply of office buildings in 2013 also caused concern for the office leasing market, an upturn in the supply-demand balance has now eliminated that concern, suggesting a stronger trend of decline in market cap rates (rise in prices).

MID REIT has a keen interest in revenue-generating real estate. Acquisition decisions are made by discerning market conditions and based on thorough property due diligence and consideration. There would be room for consideration if within our medium- to long-term risk-return tolerance range, but in view of stable asset management, in no situation would we go beyond to acquire at soaring prices like Asian high-net-worth individuals and certain investors.

Q7. Can you reflect on 2014 and give us your outlook for 2015?

Looking back on 2014, while we may not have perfectly accomplished the results we had anticipated, pretty much all were accomplished in that we managed to strongly maintain a

high occupancy rate in the aspect of internal growth while steadily lowering operating costs and financial costs. However, with distributions decreasing in the 17th fiscal period for the second consecutive fiscal period and thus falling short of results that would sufficiently satisfy our unitholders, we intend to achieve early bottoming out of such.

In order to meet the expectations of our unitholders and the market in 2015, for external growth, we will dedicate efforts to securing high-revenue-generating properties by discerning market conditions and other determining factors while leveraging sponsor support and thereby enhance unitholder value. For internal growth, we will pursue “MID REIT” branding strategies from a long-term perspective in light of the 17th fiscal period accomplishments.

Concerning measures leading to Osaka’s urban revitalization, we hope to engage in both those that would be feasible by MID REIT independently and those that would be feasible by working together with the Osaka Business Park Development Council and other land rights holders of surrounding properties as well as the people of Osaka. Concerning measures to enhance the attractiveness of assets under management, we will make proactive efforts to communicate to unitholders not only locally in Osaka but also in Tokyo and across Japan.

We will continue to value opportunities for dialogue with our unitholders and other stakeholders, and execute growth strategies that are optimal for MID REIT in view of securing stable revenue and achieving steady growth of assets under management from a medium- to long-term perspective.

Financial Status

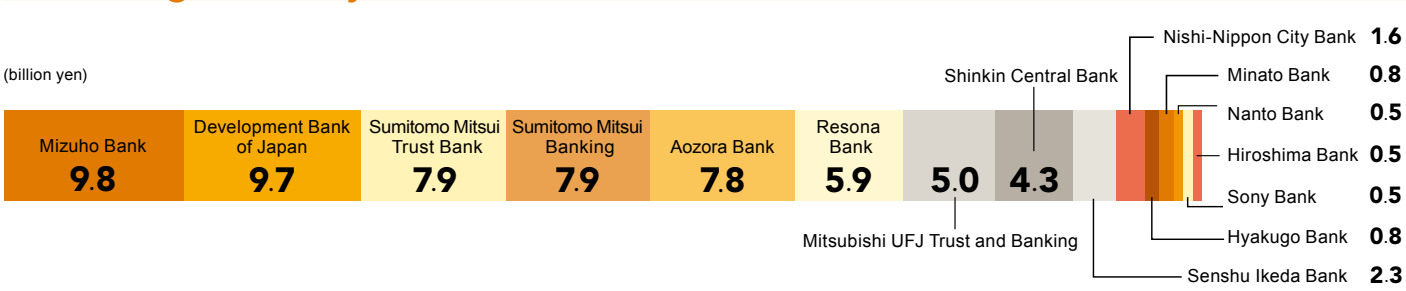
MID REIT completed refinancing of 13.8 billion yen in loans in July 2014. The following is the status of debt financing as of December 31, 2014.

Breakdown of Debt Financing

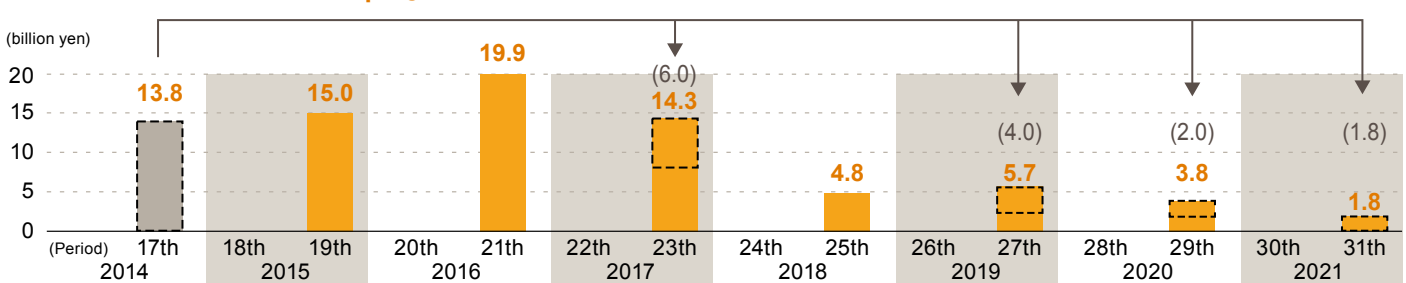
Type	Lender		Balance (million yen)	Interest Rate	Drawdown Date	Repayment Date	Repayment Method	Remarks
Long-term loans payable (Note 1)	Term loan (4 years and 11 months)	Mizuho Bank, Resona Bank, Shinkin Central Bank, Nanto Bank	6,500	JBA Japanese Yen TIBOR + 1.0% (Note 2)	Aug. 31 2010	July 31 2015	Bullet payment	Unsecured Unguaranteed
	Term loan (6 years and 11 months)	Development Bank of Japan	4,000	1.79507% (Note 8)	Aug. 31 2010	July 31 2017	(Note 9)	Unsecured Unguaranteed
	Term loan (5 years)	Mizuho Bank, Development Bank of Japan	4,000	1.36375% (Note 8)	July 29 2011	July 31 2016	Bullet payment	Unsecured Unguaranteed
	Term loan (3 years)	Mizuho 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 3)	July 31 2012	July 31 2017	Bullet payment	Unsecured Unguaranteed
	Term loan (7 years)	Development Bank of Japan	1,700	1.52375% (Note 8)	July 31 2012	July 31 2019	Bullet payment	Unsecured Unguaranteed
	Term loan (3 years)	Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank, Mitsubishi UFJ Trust and Banking, Shinkin Central Bank, Senshu Ikeda Bank, Nishi-Nippon City Bank, Hyakugo Bank	15,900	JBA Japanese Yen TIBOR + 0.6%	July 31 2013	July 29 2016	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years)	Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank	4,800	JBA Japanese Yen TIBOR + 0.8% (Note 4)	July 31 2013	July 31 2018	Bullet payment	Unsecured Unguaranteed
	Term loan (7 years)	Development Bank of Japan, Minato Bank	1,800	1.70875% (Note 8)	July 31 2013	July 31 2020	Bullet payment	Unsecured Unguaranteed
	Term loan (3 years)	Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Shinkin Central Bank, Senshu Ikeda Bank	6,000	JBA Japanese Yen TIBOR + 0.5% (Note 5)	July 31 2014	July 31 2017	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years)	Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Resona Bank	4,000	JBA Japanese Yen TIBOR + 0.7% (Note 6)	July 31 2014	July 31 2019	Bullet payment	Unsecured Unguaranteed
	Term loan (6 years)	Mizuho Bank, Hiroshima Bank, Sony Bank	2,000	JBA Japanese Yen TIBOR + 0.8% (Note 7)	July 31 2014	July 31 2020	Bullet payment	Unsecured Unguaranteed
	Term loan (7 years)	Mizuho Bank, Aozora Bank	1,800	1.47806% (Note 8)	July 31 2014	July 31 2021	Bullet payment	Unsecured Unguaranteed
TOTAL			65,300					

(Note 1) Loans are co-financed by the banks in the list.
(Note 2) In accordance with the interest-rate swap agreement, the actual interest rate is 1.447% (p.a.) up to the principal repayment date.
(Note 3) In accordance with the interest-rate swap agreement, the actual interest rate is 1.141% (p.a.) up to the principal repayment date.
(Note 4) In accordance with the interest-rate swap agreement, the actual interest rate is 1.297% (p.a.) up to the principal repayment date.
(Note 5) In accordance with the interest-rate swap agreement, the actual interest rate is 0.707% (p.a.) up to the principal repayment date.
(Note 6) In accordance with the interest-rate swap agreement, the actual interest rate is 0.962% (p.a.) up to the principal repayment date.
(Note 7) In accordance with the interest-rate swap agreement, the actual interest rate is 1.24% (p.a.) up to the principal repayment date.
(Note 8) Interest rates are fixed.
(Note 9) 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.

Borrowing Status by Bank



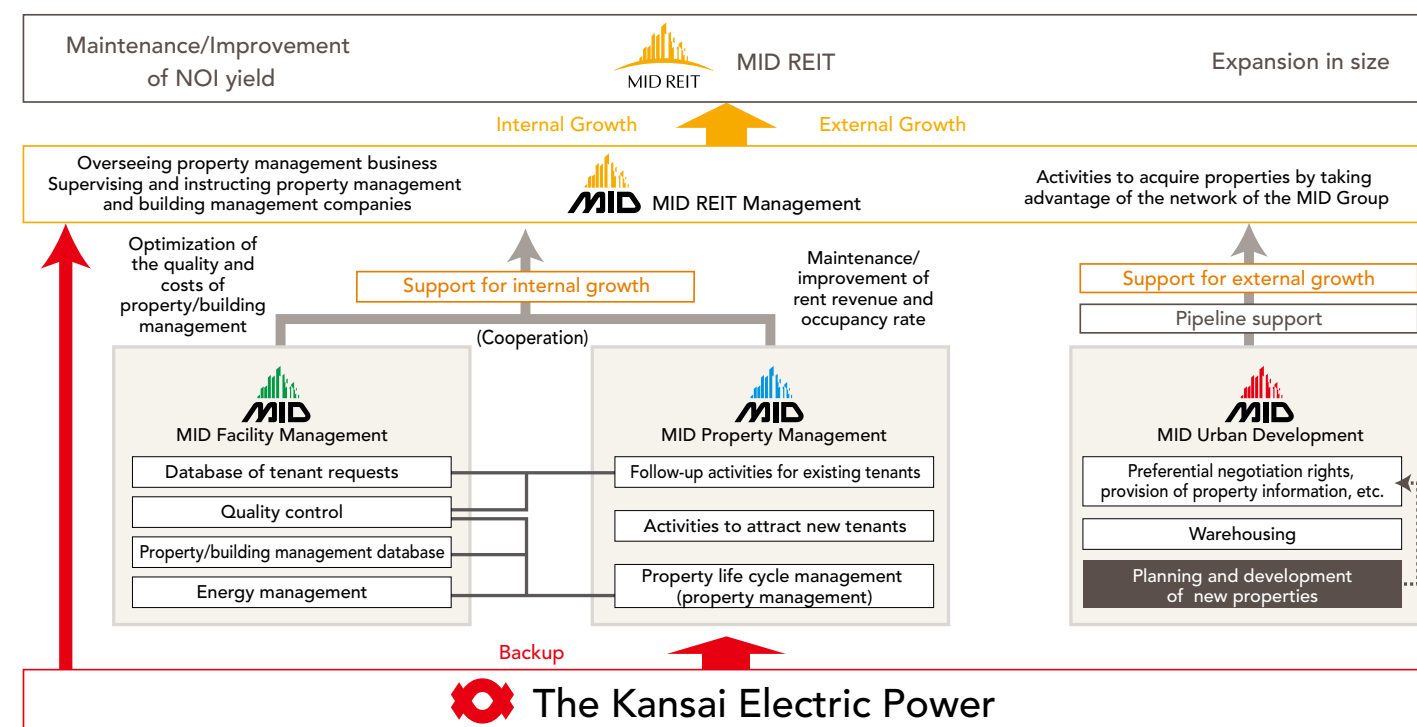
Diversification of Repayment Dates



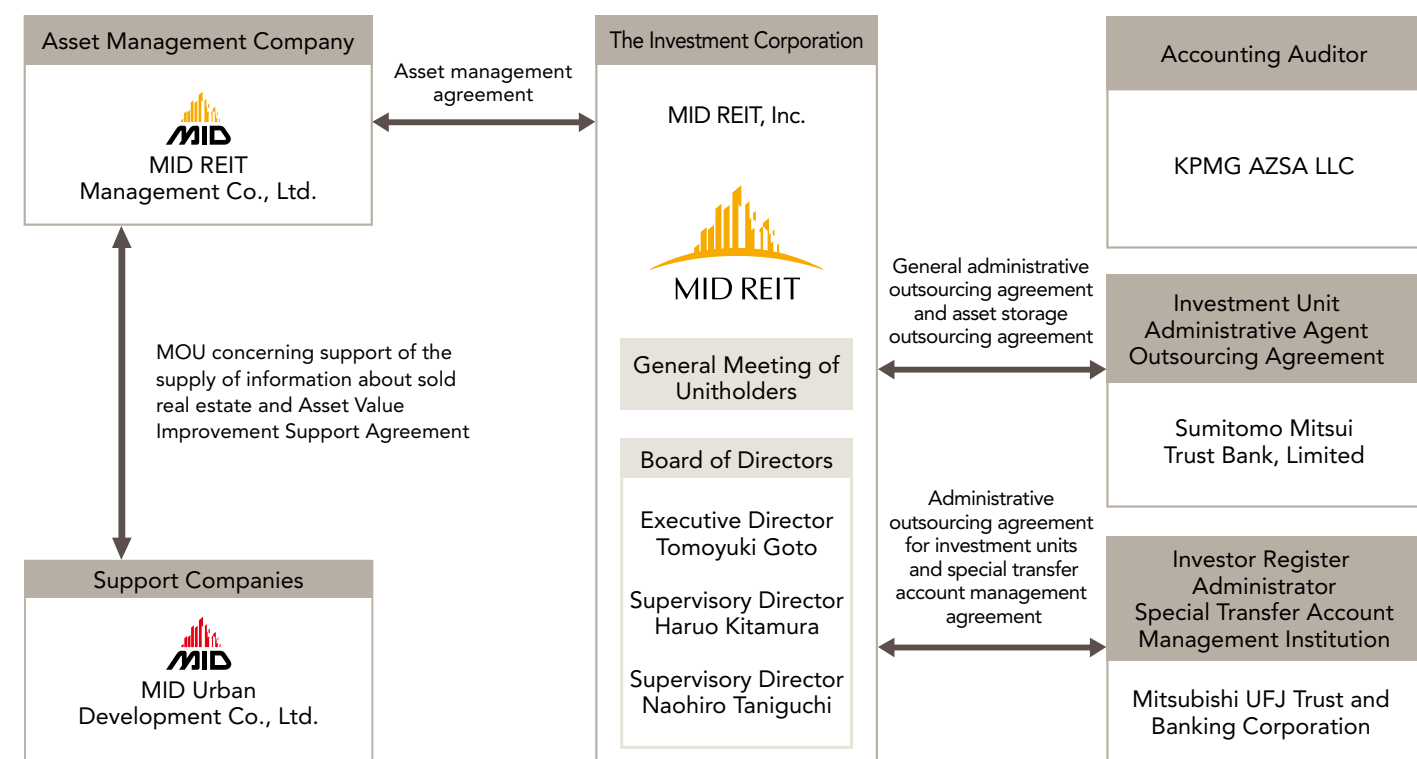
(Note) Repayment method of the 4 billion yen (Term Loan for 6 years and 11 months) out of 14.3 billion yen due for repayment in the 23rd fiscal period will be; the first repayment on January 31, 2011, followed by subsequent repayments on the last day of January and July of each year (repayment of 125 million yen each time), with the final repayment on July 31, 2017 (repayment of 3,375 million yen).

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.



Organization of MID REIT



Strengthening of Competitiveness of Twin 21 and Matsushita IMP Building through Enhancement of Value of Osaka Business Park (OBP)

The Osaka Business Park (OBP) has been positioned as an advanced business area representative of Osaka since its opening in 1986. Change in the significance of its presence as a business area due in part to new supply of office buildings in the Umeda area is calling for rebuilding of its value.

MID REIT launched PR strategies in the 17th fiscal period aimed at enhancing the brand image and value of the Osaka Business Park (OBP). Based on the concept of "business can be more relaxing," MID REIT will dedicate efforts to have Kansai office workers rediscover the attractiveness and benefits of the OBP and thereby strengthen the competitiveness of MID REIT's flagship properties Twin 21 and Matsushita IMP Building.

Efforts in 17th Fiscal Period (Results)

- Facilities maintenance: Implement renewal work for the entrance and the tenant sign
- Conduct advertising activities to call attention to OBP's excellent environment
- Prepare new pamphlets from the viewpoint of office workers



Flowerbed at Twin 21 Atrium

Efforts in and after 18th Fiscal Period (Plans)

- Continue to conduct advertising activities to call attention to OBP's excellent environment
- Implement renewal work for outdoor facilities to include green space



Twin 21 Advertisement at Keihan Electric Railway Kyobashi Station

Holding of "Town Rebranding Strategy Symposium ~ Evolution of OBP~" (December 2014 / Organized by OBP Development Council)

- Under "efforts toward metamorphosis into the second generation ~evolution of OBP~,," introduced demonstration experiments and concrete efforts for bustle and revitalization toward making OBP a smart city
- Under the theme of "expectations for OBP toward revitalization of Osaka," implemented a panel discussion of panelists from industry, government and academia



Venue: Matsushita IMP Hall

Portfolio Overview

The following is the status of MID REIT's portfolio as of December 31, 2014.

Investment Category	Investment Area	Property Name	Location	Acquisition Price (million yen) (Note 1)	Investment Ratio (%) (Note 2)	Acquisition Date	Total Leasable Space (m ²) (Note 3)	Occupancy Rate (%) (Note 4)
Office Bldg.	Osaka area	Twin 21 (Note 5)	Chuo-ku, Osaka	68,700	43.6	August 2006	82,396.80	94.9
		Matsushita IMP Bldg.	Chuo-ku, Osaka	24,600	15.6	August 2006	37,375.89	96.6
		Midosuji MID Bldg.	Chuo-ku, Osaka	8,290	5.3	August 2006 October 2007	10,461.32	98.8
		MID REIT Kyobashi Bldg.	Miyakojima-ku, Osaka	2,300	1.5	August 2006	4,833.88	100.0
		MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	2.1	April 2007	4,277.65	100.0
		MID Midosujikawaramachi Bldg.	Chuo-ku, Osaka	2,000	1.3	May 2007	3,097.39	85.4
		Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	6.8	April 2008	10,189.49	98.8
		MID Nishihommachi Bldg.	Nishi-ku, Osaka	3,550	2.3	October 2008	3,877.38	96.7
		Higobashi MID Bldg.	Nishi-ku, Osaka	3,000	1.9	June 2013	4,655.57	100.0
		Subtotal (9 properties)		126,510	80.2		161,165.37	96.1
Other	Osaka area	Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	1.8	August 2006	9,586.26	100.0
	Other major cities	AEON MALL Tsudanuma	Narashino-shi, Chiba	26,100	16.6	August 2006	101,210.44	100.0
		Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	1.4	September 2013	5,554.91	100.0
		Subtotal (3 properties)		31,160	19.8		116,351.61	100.0
		Total (12 properties)		157,670	100.0		277,516.98	97.7

(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.

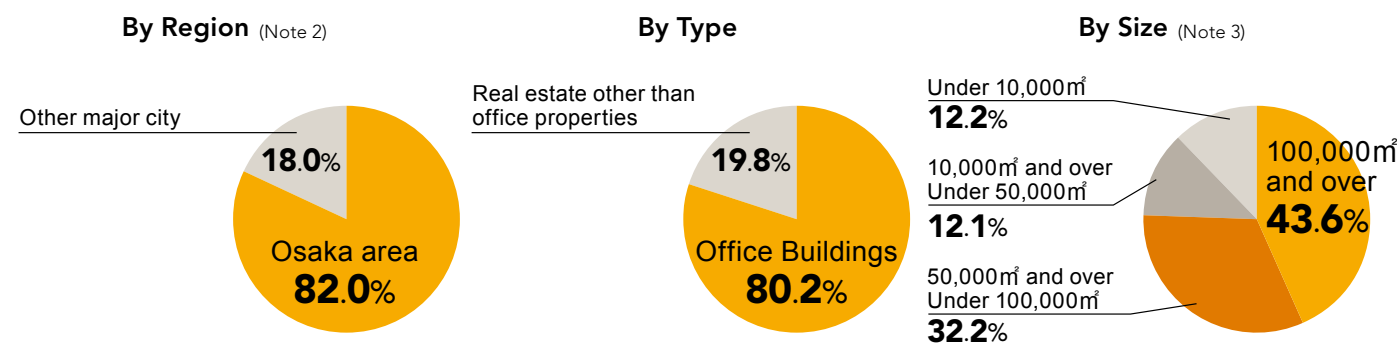
(Note 3) "Total Leasable Space" represents the total leasable floor space as of December 31, 2014. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc. However, the leasable space of Konami Sports Club Kyobashi and AEON MALL Tsudanuma include the floor space for common areas and parking, while the leasable space of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion 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 December 31, 2014 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)

Portfolio Analysis

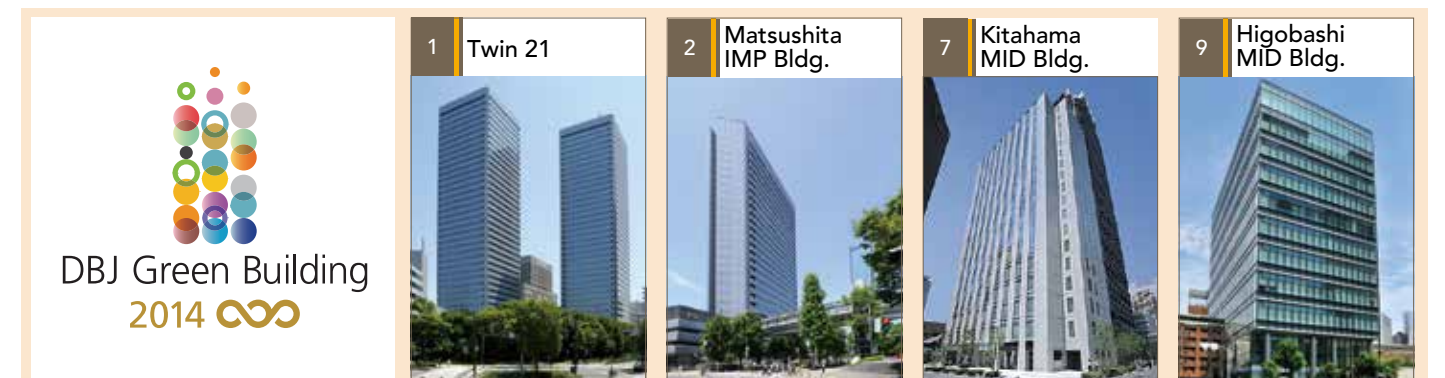
The following is the diversification of MID REIT's portfolio by respective category. (Note 1)



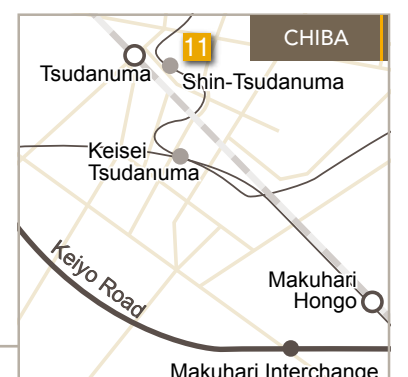
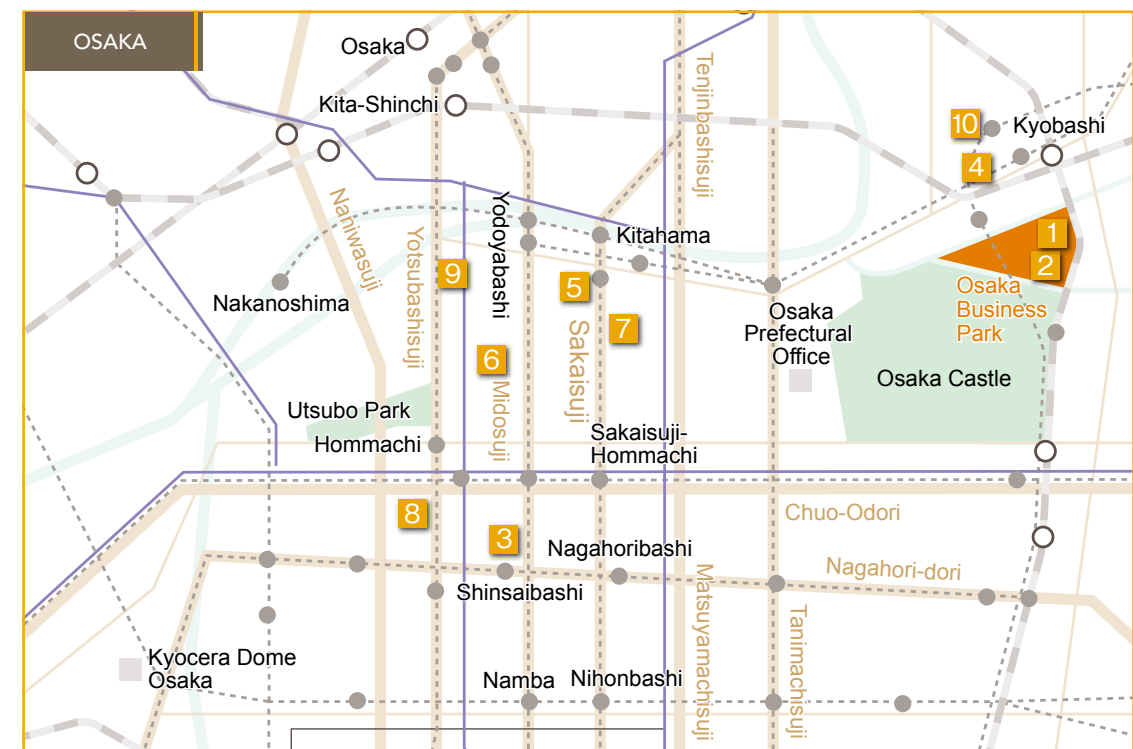
(Note 1) The ratios represent the ratios of the combined acquisition prices for respective categories over the total acquisition price, and are rounded to the first decimal place. Accordingly, the total of such figures is not necessarily 100%.

(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.



These buildings received "DBJ Green Building Certification," which certifies real estate properties with high environmental and social awareness (five ranks of certification), from Development Bank of Japan Inc. as "properties with excellent environmental and social awareness." (Obtained "three stars" ratings.)



Easing of “Concerns of Large Volume of Supply” Directing Investor Interest Toward Future Rise in Value in Osaka

Investors had concerns over the supply of approximately 54,000 tsubos of leasable floor space all at once to the Osaka real estate leasing market at the beginning of 2013. How long will it take for floor space of such a large volume to be filled up by just the Osaka leasing market? In addition, will office demand shift from the Yodoyabashi/Hommachi area, which is an existing office area, to the Umeda area, which has become a new office area? Investors were anxious about the future of such supply-demand balance, shift in central office areas, etc.

Since, however, many of the prime office buildings completed in 2013 have been contracted and office building development plans for the next five years from 2015 are limited. As such, the causes for concern in terms of office supply have now pretty much cleared. Furthermore, according to Miki Shoji Co., Ltd. research, the average vacancy rate for Osaka’s central business district

(CBD), which was approximately 9.8% in 2013, has decreased to 7.9% at the end of 2014 and is decreasing for not only the Umeda area but the entire CBD. Concerning the vacancy rate by area, Umeda area’s average improved 2.0 points compared with the same period of the previous year to 7.5% and Yodoyabashi/Hommachi area’s improved 1.7 points compared with the same period of the previous year to 7.9%.

Looking at office rent, backed by strong demand for relatively-newly-built buildings equipped with the latest facilities and buildings with renewed interior, high-grade properties are driving the market. At major properties also closely watched by Savills, many properties with high rent of over 25,000 yen per tsubo have been contracted and the average contracted rent in 2014 increased some 4.2% compared with the previous year.

A look at the greater Osaka office leasing market has not found quite so major developments.

Nonetheless, there are signs that the range of decrease in rent that has continued since 2008 is narrowing. The average rate of decrease in rent for Osaka’s CBD, which in 2010 was 3.8% compared with the same period of the previous year, improved to a rate of decrease of 1.3% in 2014. A look at the average rent for the Umeda area finds that it has taken an upward turn to an increase of 0.5% in the fourth quarter of 2014.

A look at real estate market trends to date finds that Osaka is on a recovery trend about one year behind Tokyo. The rise in real estate value in the capital Tokyo, combined with Osaka’s promising office supply-demand balance, is directing the interest of many investors toward Osaka.

The amount of real estate investment in Osaka in 2014 recorded the second highest amount since 2008 at 500 billion yen, reflecting a favorable investment demand. Of this, office transactions accounted for 30%, while retail facilities accounted for slightly over 20%.

Listed J-REITs and real estate companies accounted for close to half of those investing in office buildings in 2013, but the percentage of these two sectors has declined to 18.0% or so in 2014 with an increasing percentage of

investment funds, private companies and overseas institutional investors.

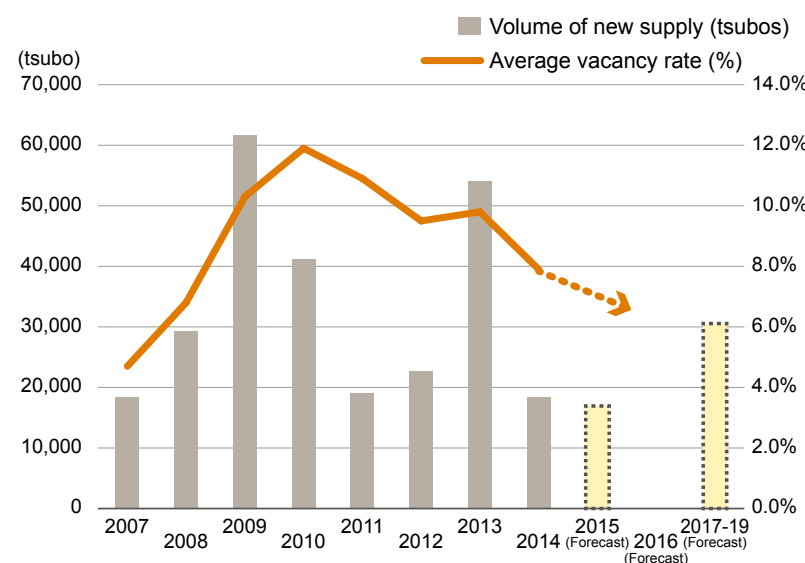
Increase in demand for investment in real estate has resulted in steady improvement in property cap rates since the beginning of 2013. Out of office building transactions closely watched by Savills, there was a property that had marked a cap rate on an appraisal NOI basis of 4.9%. With retail facilities also, among acquisition properties in the first quarter of 2015 is a property that is scheduled to be acquired at an NOI cap rate of 4.0%.

Backed by a combination of the following three factors, demand for investment in prime properties in Osaka is forecast to remain on an upward trend for a while yet.

- 1) Strengthening of leasing fundamentals in the CBD
- 2) Improvement in the outlook for the Osaka economy due to Abenomics
- 3) Demand from investors affected by the rise in real estate prices in Tokyo seeking higher returns

(Note) Extract from a report written by Will Johnson of Savills Japan Co., Ltd.

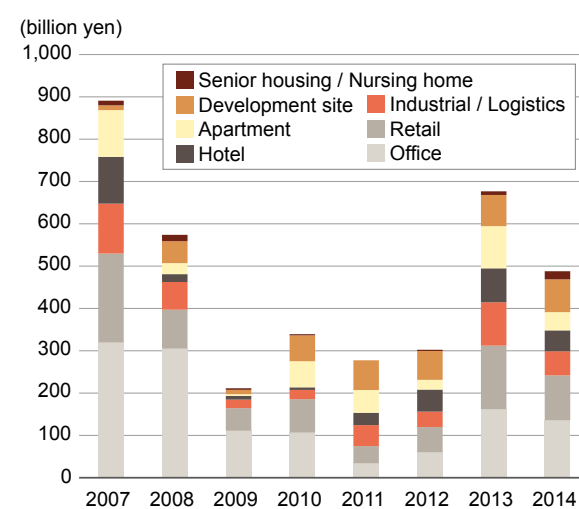
Osaka’s Office Supply Volume and Vacancy Rate
(2007 – 2019) (Forecast)



(Note) Volume of new supply is the leasable floor space of office buildings with a total floor space of at least 3,000 tsubos

(Source) Savills Research & Consultancy (based on Miki Shoji Co., Ltd. and Nikkei Business Publications, Inc. data).

Osaka’s Real Estate Investment Amount by Sector
(2007 – 2014)



(Note) Preliminary data

(Source) Savills Research & Consultancy (based on RCA data); Independent reports of properties and portfolios of US\$10 million and greater

Will Johnson

Head of Research & Consultancy, Savills Japan Co., Ltd.

M.Sc., MRICS

Savills Japan Co., Ltd.

Savills plc is a global real estate services provider listed on the London Stock Exchange. Established in 1855, it now has an international network of more than 600 offices and associates throughout the Americas, the UK, Europe, Asia Pacific, Africa and the Middle East. Savills Japan Co., Ltd. was established in August 2004.

Historical Results of Operations for MID REIT

Overview of Asset Management.

Period		13th Period	14th Period	15th Period	16th Period	17th Period
Fiscal period		July 1, 2012 Dec. 31, 2012	Jan. 1, 2013 June 30, 2013	July 1, 2013 Dec. 31, 2013	Jan. 1, 2014 June 30, 2014	July 1, 2014 Dec. 31, 2014
Operating revenue	(million yen)	5,628	5,457	5,265	5,157	5,173
(Real estate rental revenues)	(million yen)	(5,550)	(5,457)	(5,265)	(5,157)	(5,173)
Operating expenses	(million yen)	3,747	4,810	3,615	3,543	3,634
(Real estate rental expenses)	(million yen)	(3,194)	(3,020)	(2,979)	(3,023)	(3,123)
Operating income	(million yen)	1,881	646	1,650	1,614	1,538
Ordinary income	(million yen)	1,325	105	1,177	1,161	1,087
Net income	(million yen)	1,323	104	1,175	1,160	1,093
Total assets (Period-on-period variation)	(million yen) (%)	175,445 (-0.5)	173,711 (-1.0)	168,939 (-2.7)	168,762 (-0.1)	168,823 (0.0)
Net assets (Period-on-period variation)	(million yen) (%)	91,696 (-0.1)	90,476 (-1.3)	91,548 (1.2)	91,532 (-0.0)	91,466 (-0.1)
Interest-bearing liabilities	(million yen)	71,800	71,675	65,550	65,425	65,300
Unitholders' capital	(million yen)	90,372	90,372	90,372	90,372	90,372
Number of investment units issued and outstanding	(units)	183,625	183,625	183,625	183,625	183,625
Net assets per unit	(yen)	499,369	492,726	498,563	498,477	498,116
Total distributions	(million yen)	1,323	104	1,175	1,160	1,094
Distribution per unit	(yen)	7,210	567	6,404	6,318	5,958
(Earnings distribution per unit)	(yen)	(7,210)	(567)	(6,404)	(6,318)	(5,958)
(Distribution in excess of earnings per unit)	(yen)	(-)	(-)	(-)	(-)	(-)
Ordinary income to total assets	(Note 1) (Note 2) (%)	0.8 (1.5)	0.1 (0.1)	0.7 (1.4)	0.7 (1.4)	0.6 (1.3)
Net income to unitholders' equity	(Note 1) (Note 3) (%)	1.4 (2.9)	0.1 (0.2)	1.3 (2.6)	1.3 (2.6)	1.2 (2.4)
Unitholders' equity to total assets at end of period (Period-on-period variation)	(Note 4) (%)	52.3 (-0.2)	52.1 (-0.2)	54.2 (2.1)	54.2 (0.0)	54.2 (-0.0)
Ratio of interest-bearing liabilities at end of period	(Note 5) (%)	40.9	41.3	38.8	38.8	38.7
Payout ratio	(%)	100.0	100.0	100.0	100.0	100.0
Number of investment properties	(properties)	11	11	12	12	12
Total leasable space	(Note 6) (m ²)	279,755.90	271,963.95	277,516.99	277,516.98	277,516.98
Number of tenants at end of period	(Note 7) (tenants)	217	230	236	235	244
Occupancy rate at end of period	(Note 8) (%)	97.6	96.3	96.1	98.0	97.7
Depreciation for the period	(million yen)	1,089	1,113	1,107	1,127	1,133
Capital expenditures for the period	(million yen)	343	538	266	418	514
NOI from property leasing	(Note 9) (million yen)	3,474	3,568	3,395	3,268	3,182

(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 ÷ ((Net assets at beginning of period + Net assets at end of period) ÷ 2) × 100

(Note 4) Net assets 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) "Total 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.)

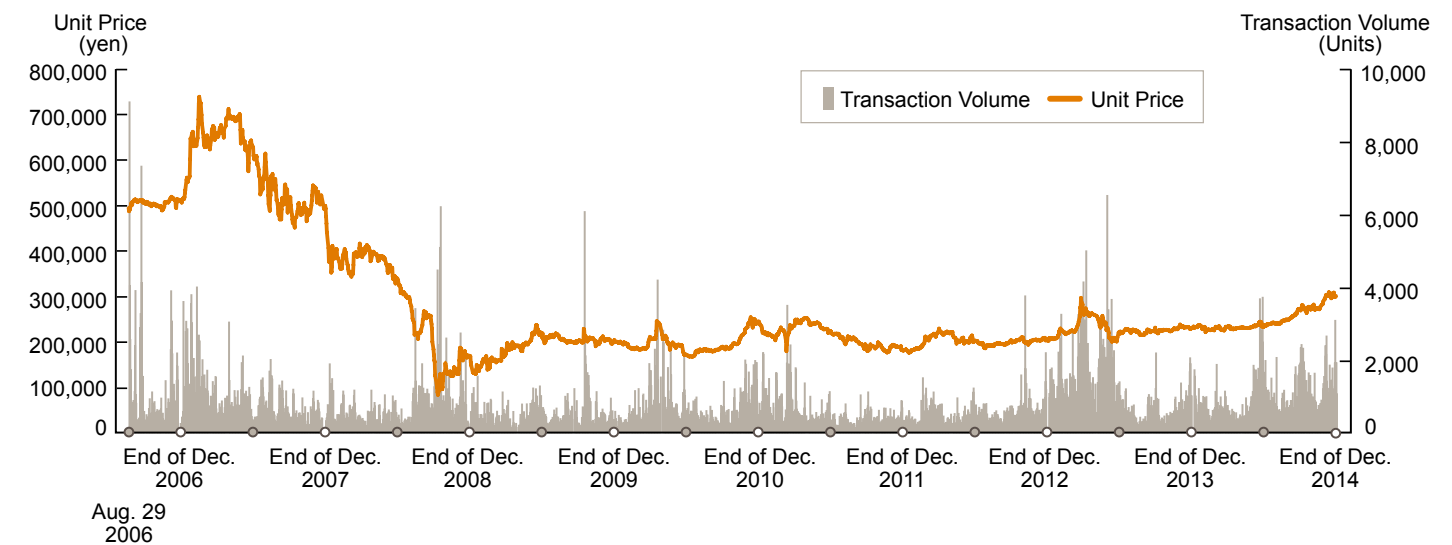
(Note 7) "Number of tenants at end of period" represents the number of tenants based on lease agreements that are valid at the end of each fiscal period. (Figures are for leased units only and exclude the tenants who rent only the floor space for storage, halls, parking, etc.). When a single tenant rents multiple units based on multiple lease agreements, the count is as separate tenants and totaled. When a single tenant rents multiple units in a single property and the billing of the rent for these units is consolidated, the count is as one tenant. Please note that for the 16th fiscal period and earlier fiscal periods, the count is as one tenant when in a single property, regardless of whether or not the billing of the rent for these units is consolidated, and the count is as one tenant for each property and totaled when in multiple properties.

(Note 8) "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 9) Rental income for the period (Real estate rental revenues – Real estate rental expenses) + Depreciation for the period + Loss on retirement of noncurrent assets for the period

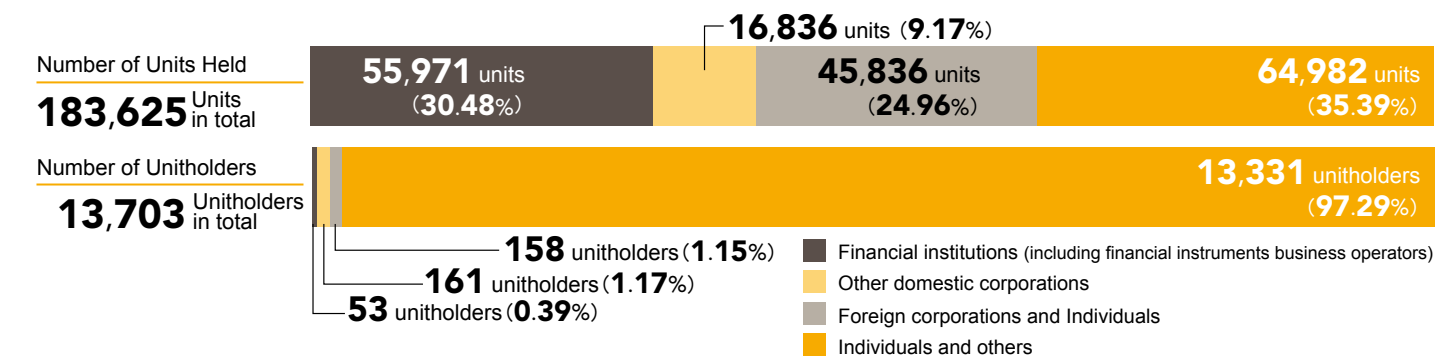
Unit Price Performance

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 December 31, 2014.



Breakdown of Unitholders

The following is the breakdown of MID REIT's unitholders as of December 31, 2014.



Overview of Asset Management Company (as of December 31, 2014)

Name	MID REIT Management Co., Ltd.
Location	1-4-4 Dojimahama, Kita-ku, Osaka
Capital	210 million yen
Shareholder	MID Urban Development Co., Ltd. (shareholding: 100%)
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 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>