

MCUBS MidCity Investment Corporation

The 19th fiscal period Asset Management Report

July 1, 2015 – December 31, 2015



I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period		15 th	16 th	17 th	18 th	19 th
As of /for the six months ended		December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Operating revenues	(Millions of yen)	5,265	5,157	5,173	5,265	6,579
(Rental business revenues)	(Millions of yen)	(5,265)	(5,157)	(5,173)	(5,265)	(6,468)
Operating expenses	(Millions of yen)	3,615	3,543	3,634	3,582	4,072
(Rental business expenses)	(Millions of yen)	(2,979)	(3,023)	(3,123)	(3,122)	(3,471)
Operating income	(Millions of yen)	1,650	1,614	1,538	1,683	2,507
Ordinary income	(Millions of yen)	1,177	1,161	1,087	1,239	1,937
Net income	(Millions of yen)	1,175	1,160	1,093	1,237	1,936
Total assets	(Millions of yen)	168,939	168,762	168,823	174,117	226,099
(Period-on-period change)	(%)	(-2.7)	(-0.1)	(0.0)	(3.1)	(29.9)
Net assets	(Millions of yen)	91,548	91,532	91,466	94,045	117,180
(Period-on-period change)	(%)	(1.2)	(-0.0)	(-0.1)	(2.8)	(24.6)
Interest-bearing liabilities	(Millions of yen)	65,550	65,425	65,300	67,675	94,350
Unitholders' capital	(Millions of yen)	90,372	90,372	90,372	92,808	115,243
Number of units issued and outstanding	(Units)	183,625	183,625	183,625	192,025	266,025
Net asset value per unit	(Yen)	498,563	498,477	498,116	489,757	440,484
Total distributions	(Millions of yen)	1,175	1,160	1,094	1,237	1,936
Distribution per unit	(Yen)	6,404	6,318	5,958	6,444	7,281
(Profit distribution per unit)	(Yen)	(6,404)	(6,318)	(5,958)	(6,444)	(7,281)
(Distribution per unit in excess of profit)	(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	(Notes 1 and 2) (%)	0.7 (1.4)	0.7 (1.4)	0.6 (1.3)	0.7 (1.5)	1.0 (1.9)
Return on unitholders' equity	(Notes 1 and 3) (%)	1.3 (2.6)	1.3 (2.6)	1.2 (2.4)	1.3 (2.7)	1.8 (3.6)
Ratio of net assets to total assets	(Note 4) (%)	54.2	54.2	54.2	54.0	51.8
(Period-on-period change)	(%)	(2.1)	(0.0)	(-0.0)	(-0.2)	(-2.2)
Ratio of interest-bearing liabilities to total assets	(Note 5) (%)	38.8	38.8	38.7	38.9	41.7
Payout ratio	(Note 6) (%)	100.0	100.0	100.0	100.0	100.0
Number of investment properties	(Note 11) (Properties)	12	12	12	13	18
Total leasable area	(Note 7) (m ²)	277,516.99	277,516.98	277,516.98	284,330.63	331,086.88
Number of tenants	(Note 8) (Tenants)	236	235	244	249	309
Occupancy ratio	(Note 9) (%)	96.1	98.0	97.7	98.5	97.6
Depreciation	(Millions of yen)	1,107	1,127	1,133	1,150	1,251
Capital expenditures	(Millions of yen)	266	418	514	394	244
Rental net operating income (NOI)	(Note 10) (Millions of yen)	3,395	3,268	3,182	3,294	4,249

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 Payout ratio for the 18th and 19th fiscal periods is calculated using the following formula as new investment units were issued during the period.

Payout ratio = Total distributions (excluding distributions in excess of profit) ÷ Net income × 100

Note 7 "Total leasable area" 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.) In addition, for the 19th fiscal period, the total leasable floor space is calculated based on leasable floor space of Higashi-Nihombashi Green Building being the floor space presented on lease agreements, etc. that are valid at the end of December 2015.

Note 8 "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 in a single property and the billing of the rent for these units is consolidated, the count is as one tenant. When a single tenant occupies multiple properties, the tenant is counted for each property and subtotaled and totaled. When a master lease agreement is concluded, the count is of the number of end-tenants who are subleasing from the lessee on the master lease agreement based on the assumption that consent of all end-tenants has been obtained for the lessee on the master lease agreement to serve as the lessor. 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. When the Investment Corporation owns only land with leasehold interest, the count is of the number of lessees of the land.

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

Note 10 Operating income from property leasing activities (Rental business revenues – Rental business expenses) + Depreciation + Loss on disposal of property

Note 11 Number of investment properties does not include investments in Tokumei Kumiai (silent partnership) agreements.

2. Outline of asset management operation

(1) Brief background to MCUBS MidCity

MCUBS MidCity Investment Corporation (hereafter “MCUBS MidCity”) was established by MCUBS MidCity Inc. (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.

During the fiscal period under review, its 19th fiscal period, MCUBS MidCity issued new investment units in July 2015 and newly acquired 5 properties (total acquisition price: ¥49,269 million, including the acquisition of silent partnership interests backed by Nagoya Lucent Tower (the same shall apply hereinafter.)) using the proceeds from the issuance of investment units and new borrowings. In December 2015, MCUBS MidCity also acquired 1 property (acquisition price: ¥2,705 million) using cash on hand. As of the end of the fiscal period under review (19th fiscal period: July 1, 2015 to December 31, 2015), MCUBS MidCity’s portfolio was comprised of 19 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the sum total of acquisition prices amounting to ¥217,104 million.

MCUBS MidCity conducts asset management with investment focused on office buildings under the portfolio building policy of focusing investment in the three major metropolitan areas including Tokyo metropolitan area and Osaka metropolitan area.

(2) Investment environment and management performance

(a) Investment environment

In the 19th fiscal period, the Japanese economy was generally on a moderate recovery trend, despite being affected by the slowdown of the Chinese economy and unstable financial markets due to the fall in crude oil prices. Although consumer spending recovery still remains, corporate earnings continue to be strong partially due to the yen depreciation and decrease in crude oil prices. Going forward, while there are risk factors such as the U.S. ending the quantitative easing policy and downside risks of the global economy, the improvement trend of corporate earnings is expected to continue and the Japanese economy is expected to continue to head toward a modest recovery with the pickup in consumer sentiment as improvement in employment and income environments continue.

In the real estate investment market, backed by a favorable financial environment, active trading continues and transaction prices are trending further upward. Active property acquisitions by J-REITs in line with new listings and capital increase through public offerings continued to take place. Transaction activities by private funds, business corporations and overseas investors are also robust, and market cap rates are also on a declining trend due to anticipation for future rise in real estate prices.

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 2015, the land price of intensively used land of major cities in Japan increased in 87 of the 100 districts, remained flat in 13 districts and decreased in none of the districts. Accordingly, the land price trend continues to be on an upward trend.

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

Going forward, 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. It is expected that on top of the improvement in new-contract lease terms and conditions that some tenants will start to accept increases in ongoing-contract rent.

(b) Asset management performance

<Investment performance>

During the 19th fiscal period, in an aim for a shift to the growth stage, MCUBS MidCity acquired 5 properties in August 2015 using the funds procured through the issuance of new investment units conducted in July 2015 and new borrowings following the acquisition of a property using the proceeds from the third-party allotment in the previous fiscal period. Out of the 5 properties newly acquired, 4 properties, G-Square Shibuya Dogenzaka (acquisition price: ¥12,220 million), Shibuya Sakuragaoka Square (land with leasehold interest) (acquisition price: ¥5,000 million), Yokohama Creation Square (acquisition price: ¥7,080 million) and Cube Kawasaki (acquisition price: ¥20,050 million), are located in Tokyo metropolitan area, and 1 property, Nagoya Lucent Tower (silent partnership interests) (acquisition price: ¥4,919 million) is located in Nagoya metropolitan area. Furthermore, MCUBS MidCity acquired Higashi-Nihombashi Green Building (acquisition price: ¥2,705 million) located in Tokyo metropolitan area in December 2015 using cash on hand. As a result, the investment ratio in Osaka metropolitan area decreased by 22.4% from 82.0% a year ago, thus realizing area diversification in the portfolio.

As a result, MCUBS MidCity's portfolio as of the end of the 19th fiscal period was comprised of 19 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 98.9% (of which Tokyo metropolitan area accounting for 37.1%, Osaka metropolitan area 59.6% and Nagoya metropolitan area 2.3%) in the three major metropolitan areas and 1.1% in other areas and are distributed in terms of property type with 85.6% being office buildings and 14.4% being others.

<Performance of management of portfolio assets>

MCUBS MidCity 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 closely working together with sponsor companies, property management companies and office leasing brokers and creating tenant attraction plans for each property that match the respective location and characteristics, thereby striving to maintain and enhance occupancy rates.

In the 18th 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 19th fiscal period at 97.6%.

In terms of building management, at Matsushita IMP Building, ongoing renewal of the interior and sanitary facilities such as bathrooms 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 addition, when The Kansai Electric Power Company raised its electric rates in April 2015, unit price revisions to reflect the increase were implemented for electricity bills for exclusive areas, in an effort to inhibit the increase in management costs. Furthermore, utilities expenses during the 19th fiscal period were below the initial forecast due to decrease in fuel cost adjustment fees caused by the fall in crude oil prices, etc. decrease in fuel cost adjustment fees caused by the fall in crude oil prices, etc.

In particular, at the Osaka Business Park (hereafter, “OBP”) PR activities from 17th fiscal period 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. In addition, MCUBS MidCity has started discussions concerning revitalization of retail zones at Twin 21 and Matsushita IMP Building in line with the reconstruction and new construction of office buildings in OBP.

(3) Overview of fund procurement

(a) Issuance of new investment units

Based on the resolution by the board of directors’ meetings held on July 9, 2015 and July 22, 2015, MCUBS MidCity implemented issuance of new investment units through public offering with the payment date on July 29, 2015 (70,000 units) and through third-party allotment with the payment date of August 17, 2015 (4,000 units), to partly fund the new acquisition of 5 properties (total acquisition price: ¥49,269 million), etc. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 266,025 investment units.

(b) Debt financing

MCUBS MidCity 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.

In the 19th fiscal period, MCUBS MidCity implemented new debt financing of ¥25,000 million on July 31, 2015 and ¥1,800 million on August 6, 2015 to use the proceeds as part of funds to acquire the 5 properties acquired in August

2015. Upon making the new debt financing, MCUBS MidCity diversified lenders by newly starting debt financing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Trust & Banking Co., Ltd. while extending borrowing period by conducting financing with the longest ever borrowing period for MCUBS MidCity of 8 years, in order to reinforce financial stability. In addition, MCUBS MidCity refinanced borrowings totaling ¥15,000 million, which was due for repayment on July 31, 2015. Upon refinancing, MCUBS MidCity also realized reduction of financings costs while at the same time extending borrowing period as well as the average remaining years of borrowings. As a result, the average remaining years of borrowings was extended by one year and the average interest rate on borrowings was lowered by 0.1% compared to the previous fiscal period.

As of the end of the 19th fiscal period, MCUBS MidCity had a balance of borrowings from 17 financial institutions in the amount of ¥94,350 million. The ratio of interest-bearing liabilities to total assets stands at 41.7%, 95.4% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 57.4% of loans payable have fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

MCUBS MidCity had acquired an issuer rating of “A- (Rating outlook: stable)” from Rating and Investment Information, Inc. (R&I), but was changed to “A- (Rating outlook: positive)” on October 29, 2015.

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

(4) Overview of business performance and distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of ¥6,579 million, operating income of ¥2,507 million, ordinary income of ¥1,937 million and net income of ¥1,936 million in its performance for the 19th 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”), MCUBS MidCity decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution per unit that are less than ¥1. Accordingly, MCUBS MidCity declared a distribution per unit of ¥7,281.

3. Changes in unitholders' capital

The Investment Corporation raised funds totaling ¥22,434 million by issuance of 70,000 units through public offering and 4,000 units through allocation to a third party for the six months ended December 31, 2015. The outline of changes in unitholders' capital was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
June 1, 2006	Private placement for incorporation	200	200	100	100	Note 1
August 28, 2006	Public offering	180,000	180,200	88,587	88,687	Note 2
September 26, 2006	Allocation of investment units to a third party	3,425	183,625	1,685	90,372	Note 3
April 22, 2015	Allocation of investment units to a third party	8,400	192,025	2,435	92,808	Note 4
July 29, 2015	Public offering	70,000	262,025	21,222	114,030	Note 5
August 17, 2015	Allocation of investment units to a third party	4,000	266,025	1,212	115,243	Note 6

Note 1 The Investment Corporation was incorporated through private placement at a price of ¥500,000 per unit.

Note 2 New investment units were issued at a price of ¥510,000 per unit (subscription price of ¥492,150 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 3 New investment units were issued at a price of ¥492,150 per unit through the allocation of investment units to Nomura Securities Co., Ltd. in connection with the public offering on August 28, 2006.

Note 4 New investment units were issued at a price of ¥289,950 per unit through the allocation of investment units to Mitsubishi Corporation and UBS AG.

Note 5 New investment units were issued at a price of ¥313,462 per unit (subscription price of ¥303,174 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 6 New investment units were issued at a price of ¥303,174 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on July 29, 2015

Fluctuation in market price of the investment unit:

The market price of the investment unit issued by the Investment Corporation listed on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)

Fiscal period	15 th	16 th	17 th	18 th	19 th
As of /for the six months ended	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Highest price	238,900	245,200	310,000	390,000	384,000
Lowest price	215,600	222,000	234,000	281,100	273,300

4. Distributions

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than one yen, to be treated the distributions as a tax allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distribution per unit for the six months ended December 31, 2015 amounted to ¥7,281.

Fiscal period		15 th	16 th	17 th	18 th	19 th
As of /for the six months ended		December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Retained earnings at end of period	(Thousands of yen)	1,176,045	1,160,263	1,094,046	1,237,489	1,936,952
Retained earnings carried forward	(Thousands of yen)	110	120	9	80	24
Total cash distributions	(Thousands of yen)	1,175,934	1,160,142	1,094,037	1,237,409	1,936,928
(Cash distribution per unit)	(Yen)	(6,404)	(6,318)	(5,958)	(6,444)	(7,281)
Profit distributions	(Thousands of yen)	1,175,934	1,160,142	1,094,037	1,237,409	1,936,928
(Profit distribution per unit)	(Yen)	(6,404)	(6,318)	(5,958)	(6,444)	(7,281)
Unitcapital refunds	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from provision for temporary difference adjustment	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from provision for temporary difference adjustment)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from deduction of unitcapital under tax rules	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from deduction of unitcapital under tax rules)	(Yen)	(—)	(—)	(—)	(—)	(—)

5. Management policies and issues

(1) Internal growth strategy

In the Osaka office leasing market trend, where most of MCUBS MidCity's portfolio assets are located, decrease in new supply while office demand remained strong led to improvement in vacancy rates continuing. With the improvement in new-contract lease terms and conditions at some large-scale buildings, the anticipation for market rent bottoming out has been gradually growing. However, a certain amount of time is still forecasted to be required until there will be full-scale increase in ongoing-contract rent.

In the Tokyo office leasing market, where most of the properties acquired during the 19th fiscal period are located, demand remains strong and the vacancy rate continues to improve even when there is a certain amount of new supply. Vacancy rate is likely to be stable at a low level going forward, and a rising trend is seen not only in new-contract rent but also in ongoing-contract rent in some cases.

Under such circumstances, in view of maintaining and enhancing revenue over the medium and long term, MCUBS MidCity is working on 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 MCUBS MidCity's portfolio since the first fiscal period. The results of the concerned survey are used as the base in instructing property management companies 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.

Efforts have been made to attract a tenant which topped the list of "tenants that would be nice to have in OBP" in the survey, and a leasing agreement was concluded for Twin 21 in June 2015. 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.

<Strategy on leasing to attract new tenants>

Among the portfolio assets at G-Square Shibuya Dogenzaka and Yokohama Creation Square, which have relatively large vacant space, efforts will be made to attract new tenants by making proposals in line with tenant size and needs while taking advantage of excellent location and high specifications of the buildings.

Leveraging the strengths of the network of a new sponsor Mitsubishi Corp. – UBS Realty and of having as its sponsor a comprehensive real estate business group that primarily operates in Osaka, the Asset Management Company conducts market analyses by utilizing tenant information, etc. that property management companies have 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 MCUBS MidCity's portfolio assets, in order to carry out effective attracting of new tenants.

<Enhance property competitiveness>

MCUBS MidCity conducts upgrading of facilities and renewal of interiors one after another in view of provision of comfortable office environments and enhancement of leasing capacity. MCUBS MidCity 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>

The Asset Management Company strives to respond to the environment and social responsibility based on the "Environment Charter" and "Basic Policy on Responsible Real Estate Investment" formulated in the fiscal period under review, and appropriately responds to the requests of society via CO₂ reduction efforts, etc.

As of the end of the 19th 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 and G-Square Shibuya Dogenzaka, which was acquired during the 19th fiscal period, have received the rank of “A Class” by Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), 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.

(2) External growth strategy

MCUBS MidCity strives to improve the risk return characteristics 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. Upon acquisition, MCUBS MidCity aims to realize external growth by utilizing the property sourcing capacity of its sponsors, proactively leveraging the pipeline support.

As for the targeted investment region, MCUBS MidCity examines acquisitions of assets under management with a focus on office buildings in the three major metropolitan areas (Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture)). In addition, from the standpoint of diversifying risk with a view toward securing more opportunities for property acquisition, its investment targets also include so-called “government-designated cities” – cities with populations of over 500,000 – as well as other major cities and abroad, excluding the three major metropolitan areas. Furthermore, as for the investment target in terms of property type, although MCUBS MidCity invests primarily in office properties, from the standpoint of investment diversification based on securing more opportunities for property acquisition, MCUBS MidCity's investment targets also include real estate other than office properties. (However, it states that no new investment shall be made as to retail properties and industrial properties.)

(3) 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.

Outline of the Investment Corporation

1. Investment unit

Fiscal period		15 th	16 th	17 th	18 th	19 th
As of		December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Number of units authorized	(Units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued and outstanding	(Units)	183,625	183,625	183,625	192,025	266,025
Unitholders' capital	(Millions of yen)	90,372	90,372	90,372	92,808	115,243
Number of unitholders	(People)	14,193	15,745	13,703	11,795	12,517

2. Unitholders

Major unitholders as of December 31, 2015 were as follows:

Name	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note) (%)
Japan Trustee Services Bank, Ltd. Trust Account	59,207	22.26
The Master Trust Bank of Japan, Ltd. Trust Account	37,565	14.12
Trust & Custody Services Bank, Ltd. Trust Account	34,458	12.95
The Nomura Trust and Banking Co., Ltd. Trust Account	9,619	3.62
MID Urban Development Co., Ltd.	9,200	3.46
SIX SIS LTD.	4,511	1.70
Mitsubishi Corporation	4,200	1.58
STATE STREET BANK AND TRUST COMPANY 505223	4,014	1.51
Japan Trustee Services Bank, Ltd. Trust Account 9	2,484	0.93
CBNY DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	2,070	0.78
Total	167,328	62.90

Note Ratio of number of units owned to total number of units issued is calculated by rounding to the nearest second decimal place.

3. Officers

Officers, etc. as of December 31, 2015 were as follows:

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 2015 (Thousands of yen)
Executive Director (Note 1)	Katsura Matsuo	President & CEO & Representative Director of MCUBS MidCity Inc.	(Note 2) —
Supervisory Director (Note 1)	Haruo Kitamura	Chief of KITAMURA & CO. (Certified public accountant)	2,850
	Osamu Ito	Partner of UNITED FUSO LAW OFFICE (Attorney at Law)	2,850
Independent auditor	KPMG AZSA LLC	—	(Note 5) 12,300

Note 1 There is no investment unit of the Investment Corporation held by the Executive Director nor the Supervisory Directors in their own name or that of others. Although Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and the Investment Corporation.

Note 2 There was no compensation for the Executive Director.

Note 3 Noki Suzuki, Deputy President & Representative Director of MCUBS MidCity Inc. (the Asset Manager of the Investment Corporation), was appointed as alternate executive director for a vacancy of the executive director by the 6th General Meeting of Unitholders held on June 16, 2015. Also, Yonetaro Ori was appointed as alternate supervisory director for a vacancy of the supervisory director by the 6th General Meeting of Unitholders held on June 16, 2015.

Note 4 The Investment Corporation shall dismiss independent auditor in accordance with the Act on Investment Trusts and Investment Corporation of Japan, if necessary, considering audit quality, fees or other various factors.

Note 5 The compensation for the independent auditor includes ¥2,300 thousand fees for non-audit-service prescribed under Article 2, paragraph 1 of the Certified Public Accountants Act of Japan (Act No.103 of 1948, as amended).

4. Name of asset manager and other administrator

Classification	Name
Asset manager	MUCBS MidCity Investment Corporation
Custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (regarding book keeping)	Sumitomo Mitsui Trust Bank, Limited
General administrator (regarding investor registration and distribution payments to unitholders, etc.)	Mitsubishi UFJ Trust and Banking Corporation

Condition of investment assets

1. Composition of assets

Classification of assets	Investment category	Investment area	As of June 30, 2015		As of December 31, 2015	
			Total of net book value (Note 1) (Millions of yen)	Ratio to total assets (Note 2) (%)	Total of net book value (Note 1) (Millions of yen)	Ratio to total assets (Note 2) (%)
Trust beneficial interest in real property	Office Building	Three major metropolitan areas				
		Tokyo metropolitan area (Note 3)	7,804	4.5	55,428	24.5
		Osaka metropolitan area (Note 3)	123,271	70.8	122,526	54.2
	Other	Three major metropolitan areas				
		Tokyo metropolitan area (Note 3)	24,413	14.0	24,297	10.7
		Osaka metropolitan area (Note 3)	2,470	1.4	2,452	1.1
	Other areas	2,237	1.3	2,217	1.0	
Sub-total			160,197	92.0	206,923	91.5
Investments in Tokumei Kumiai agreement (Note 4)			—	—	5,085	2.2
Bank deposits and other assets			13,919	8.0	14,091	6.2
Total assets			174,117	100.0	226,099	100.0

Note 1 Amounts less than one million yen are rounded down.

Note 2 "Ratio to total assets" is calculated by rounding to the nearest first decimal place.

Note 3 The Tokyo metropolitan area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the Osaka metropolitan area consists of Osaka, Kyoto and Hyogo prefectures.

Note 4 Investments in Tokumei Kumiai agreement is 40% equity interest of silent partnership with R40 Godo Kaisha whose investment asset is trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower.

Note 5 Construction in progress in trust is included in "Bank deposits and other assets".

2. Major property

The principal properties as of December 31, 2015 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (%)	Major use
Sumitomo Fudosan Ueno Bldg. No.6	7,768	6,858.16	6,858.16	100.0	3.9	Office
G-Square Shibuya Dogenzaka (Note 8)	12,340	5,013.55	4,016.33	80.1	2.8	Office
Shibuya Sakuragaoka Square (land with leasehold interest) (Note 8)	5,058	1,200.08	1,200.08	100.0	1.2	Office
Yokohama Creation Square (Note 8)	7,161	12,765.80	11,334.18	88.8	4.0	Office
Cube Kawasaki (Note 9)	20,277	24,462.29	23,167.77	94.7	8.0	Office
Higashi-Nihombashi Green Bldg. (Note 10)	2,821	3,308.95	3,308.95	100.0	0.1	Office
Twin 21 (Note 4)	67,156	82,313.72	80,378.74	97.6	34.9	Office
Matsushita IMP Bldg.	22,809	37,406.94	36,554.41	97.7	15.6	Office
Midosuji MID Bldg.	8,489	10,461.32	10,331.80	98.8	4.5	Office
MID REIT Kyobashi Bldg.	2,129	4,833.88	4,833.88	100.0	(Note 5)	Office
MID Imabashi Bldg.	3,178	4,277.65	3,835.92	89.7	1.5	Office
MID Midosujikawaramachi Bldg.	1,930	3,110.49	2,725.19	87.6	0.8	Office
Kitahama MID Bldg.	10,515	10,189.49	10,189.49	100.0	4.9	Office
MID Nishihommachi Bldg.	3,390	3,877.38	3,311.86	85.4	1.2	Office
Higobashi MID Bldg.	2,926	4,655.57	4,655.57	100.0	1.9	Office
AEON MALL Tsudanuma	24,297	101,210.44	101,210.44	100.0	11.2	Retail facilities
Konami Sports Club Kyobashi	2,452	9,586.26	9,586.26	100.0	(Note 5)	Retail facilities
Dormy Inn Hakata Gion	2,217	5,554.91	5,554.91	100.0	(Note 5)	Hotel
Total	206,923	331,086.88	323,053.94	97.6	100.0	

Note 1 “Leasable area” refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as floor space for common area of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leasable as of December 31, 2015.

Note 2 “Leased area” refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as floor space for common area of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leased under lease agreements valid as of December 31, 2015.

Note 3 “Occupancy ratio” is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2015 by the leasable area. In addition, the figures in the “Total” rows are presented as percentages that are obtained by dividing the sum of the leased area of each property group by the sum of the group’s leasable area.

Note 4 Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

Note 5 “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.

Note 6 In addition to properties stated above table, the Investment Corporation invests in 40% equity interest of silent partnership with R40 Godo Kaisha whose investment asset is trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower.

Note 7 Amounts less than one million yen are rounded down. Percentages are rounded to the nearest first decimal place.

Note 8 G-Square Shibuya Dogenzaka, Shibuya Sakuragaoka Square (land with leasehold interest) and Yokohama Creation Square were acquired on August 3, 2015. The Number of operation days for the six months ended December 31, 2015 from the acquisition date was 151 days.

Note 9 Cube Kawasaki was acquired on August 7, 2015. The Number of operation days for the six months ended December 31, 2015 from the acquisition date was 147 days.

Note 10 Higashi-Nihombashi Green Bldg. was acquired on December 21, 2015. The Number of operation days for the six months ended December 31, 2015 from the acquisition was 11 days. The leasable area of the property refers to space indicated in the lease agreement valid as of December 31, 2015.

3. Details of property

The details of investment properties held by the Investment Corporation as of December 31, 2015 were as follows:

Investment category	Investment Area		Name of property	Location (Note 1)	Form of ownership	Appraisal value at end of period (Note 2) (Millions of yen)	Net book value (Millions of yen)	
Office Building	Tokyo metropolitan area		Sumitomo Fudosan Ueno Bldg. No.6	5-24-8, Higashiueno, Taito-ku, Tokyo	Trust beneficial interest	7,690	7,768	
			G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	13,800	12,340	
			Shibuya Sakuragaoka Square (land with leasehold interest)	109-7 and other, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	5,240	5,058	
			Yokohama Creation Square	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	7,480	7,161	
			Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	20,900	20,277	
			Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	2,900	2,821	
	Three major metropolitan areas	Osaka metropolitan area		Twin 21 (Note 3)	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	47,400	67,156
				Matsushita IMP Bldg.	1-3-7 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	18,600	22,809
				Midosuji MID Bldg.	4-3-2 Minamisenba, Chuo-ku, Osaka-shi	Trust beneficial interest	7,120	8,489
				MID REIT Kyobashi Bldg.	1-5-14 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	1,380	2,129
				MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	2,180	3,178
				MID Midosujikawaramachi Bldg.	4-3-7 Kawaramachi, Chuo-ku, Osaka-shi	Trust beneficial interest	1,450	1,930
				Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	8,640	10,515
				MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	2,110	3,390
				Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	3,370	2,926
Sub total						150,260	177,955	
Other	Three major metro politan areas	Tokyo metropolitan area	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	26,900	24,297	
		Osaka metropolitan area	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	3,200	2,452	
	Other area		Dormy Inn Hakata Gion	1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	3,060	2,217	
	Sub total						33,160	28,968
Total						183,420	206,923	

Note 1 "Location" means the location indicated in the residence indication (if not available, in the land registry book).

Note 2 "Appraisal value at end of period" shows the value as of December 31, 2015 appraised by the real estate appraiser (Morii Appraisal & Investment Consulting, Inc., Tanizawa Sōgō Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and Japan Real Estate Institute) in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan. The appraisal value of Higashi-Nihombashi Green Bldg. was as of December 1, 2015.

Note 3 Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

Note 4 Amounts less than one million yen are rounded down.

Operating results of each property for the six months ended June 30, 2015 and December 31, 2015 were as follows:

Investment category	Investment Area		Name of property	For the six months ended							
				June 30, 2015				December 31, 2015			
				Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Note 3) (Thousands of yen)	Ratio of rental revenue to total rental revenues (Note 4) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Note 3) (Thousands of yen)	Ratio of rental revenue to total rental revenues (Note 4) (%)
Office Building	Three major metropolitan areas	Tokyo metropolitan area	Sumitomo Fudosan Ueno Bldg. No.6 (Note 6)	2	100.0	83,551	1.6	2	100.0	253,964	3.9
			G-Square Shibuya Dogenzaka (Note 7)	—	—	—	—	7	80.1	181,417	2.8
			Shibuya Sakuragaoka Square (land with leasehold interest) (Note 7)	—	—	—	—	1	100.0	74,553	1.2
			Yokohama Creation Square (Note 7)	—	—	—	—	36	88.8	257,938	4.0
			Cube Kawasaki (Note 8)	—	—	—	—	8	94.7	516,744	8.0
			Higashi-Nihombashi Green Bldg. (Note 9)	—	—	—	—	8	100.0	5,016	0.1
	Osaka metropolitan area	Twin 21	108	97.6	2,270,728	43.1	109	97.6	2,257,102	34.9	
		Matsushita IMP Bldg.	61	97.5	992,569	18.8	60	97.7	1,007,324	15.6	
		Midosuji MID Bldg.	8	98.8	284,814	5.4	8	98.8	289,031	4.5	
		MID REIT Kyobashi Bldg.	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)	
		MID Imabashi Bldg.	18	94.4	99,129	1.9	17	89.7	94,532	1.5	
		MID Midosujikawaramachi Bldg.	12	87.4	54,557	1.0	12	87.6	51,604	0.8	
		Kitahama MID Bldg.	10	98.8	312,771	5.9	11	100.0	318,456	4.9	
		MID Nishihommachi Bldg.	14	91.3	90,897	1.7	14	85.4	80,649	1.2	
	Higobashi MID Bldg.	11	100.0	119,698	2.3	11	100.0	123,440	1.9		
Sub total				245	97.5	—	—	305	96.3	—	—
Other	Three major metropolitan areas	Tokyo metropolitan area	AEON MALL Tsudanuma	1	100.0	726,553	13.8	1	100.0	726,000	11.2
		Osaka metropolitan area	Konami Sports Club Kyobashi	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	Other area	Dormy Inn Hakata Gion	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)	
	Sub total				4	100.0	—	—	4	100.0	—
Total (Notes 4 and 6)				249	98.5	5,265,758	100.0	309	97.6	6,468,698	100.0

Note 1 “Number of tenants” 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 occupies multiple properties, the tenant is counted for each property 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. When the Investment Corporation owns only land with leasehold interest, the count is of the number of lessees of the land.

Note 2 “Occupancy ratio” is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2015 by the leasable area. 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 area of each property group by the sum of the group’s leasable area and rounded to the first decimal place.

Note 3 Amounts less than one thousand yen are rounded down.

Note 4 “Ratio of rental revenue to total rental revenues” is rounded to the nearest first decimal place.

Note 5 “Rental revenues” and “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.

Note 6 Sumitomo Fudosan Ueno Bldg. No.6 was acquired on May 1, 2015. The Number of operation days for the six months ended June 30, 2015 from the acquisition date was 61 days.

Note 7 G-Square Shibuya Dogenzaka, Shibuya Sakuragaoka Square (land with leasehold interest) and Yokohama Creation Square were acquired on August 3, 2015. The Number of operation days for the six months ended December 31, 2015 from the acquisition date was 151 days.

Note 8 Cube Kawasaki was acquired on August 7, 2015. The Number of operation days for the six months ended December 31, 2015 from the acquisition date was 147 days.

Note 9 Higashi-Nihombashi Green Bldg. was acquired on December 21, 2015. The Number of operation days for the six months ended December 31, 2015 from the acquisition was 11 days. The leasable area of the property refers to space indicated in the lease agreement valid as of December 31, 2015.

4. Details of investment securities

The details of investment securities as of December 31, 2015 were as follows:

Name	Classification of assets	Quantity	Net book Value (Thousands of yen)		Fair value (Note1) (Thousands of yen)		Unrealized gains (or losses) (Thousands of yen)	Remarks
			Per unit	Amount	Per unit	Amount		
Equity interest of Tokumei Kumiai (silent partnership) agreement backed by the trust beneficiary interest for co-ownership interest of Nagoya Lucent Tower	Investment in Tokumei Kumiai agreement	—	—	5,085,027	—	5,085,027	—	—
Total			—	5,085,027	—	5,085,027	—	

Note 1 Fair value represents net book value of the equity interest of Tokumei Kumiai agreement.

5. Details of specified transaction

The details of specified transaction as of December 31, 2015 were as follows:

Classification	Transaction	Notional contract amount (Thousands of yen)		Fair value (Note 1) (Thousands of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	38,600,000	38,600,000	(185,059)
Total		38,600,000	38,600,000	(185,059)

Note 1 The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

6. Other assets

Real property and trust beneficial interests in real property are included the above tables in “3. Details of property.”

7. Investment assets by country or area

There is no investment asset other than Japan.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of December 31, 2015 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended December 31, 2015	Total of advanced payment
Matsushita IMP Bldg.	Chuo-ku, Osaka-shi	Renewal of elevator	May 2015 to November 2016	251	—	—
Yokohama Creation Square	Kanagawa-ku, Yokohama-shi	Renewal of the central monitoring equipment	October 2016 to December 2016	150	—	—
Yokohama Creation Square	Kanagawa-ku, Yokohama-shi	Renewal of automatic fire alarm facilities	October 2016 to December 2016	150	—	—
Twin 21	Chuo-ku, Osaka-shi	Renewal of common space at lower floors (WC)	September 2016 to December 2016	117	—	—
Matsushita IMP Bldg.	Chuo-ku, Osaka-shi	Renewal of cooling tower	October 2015 to March 2016	98	—	—

2. Capital expenditures for the six months ended December 31, 2015

Maintenance expenditures on property for the six months ended December 31, 2015 were totaling to ¥404 million consisting of ¥244 million of capital expenditures stated as below and ¥159 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
Twin 21	Chuo-ku, Osaka-shi	Renewal of air conditioner	October 28, 2015 to December 28, 2015	65
Matsushita IMP Bldg.	Chuo-ku, Osaka-shi	Renewal of light control board at IMP hall	August 13, 2015 to December 28, 2015	46
Twin 21	Chuo-ku, Osaka-shi	Renewal construction of suction pump	August 15, 2015 to December 25, 2015	26
Matsushita IMP Bldg.	Chuo-ku, Osaka-shi	Renewal of air conditioner	October 23, 2015 to December 28, 2015	22
Twin 21	Chuo-ku, Osaka-shi	Renewal construction for replacing tenants	June 27, 2015 to August 14, 2015	13
Other properties, etc.	—	Other expenditures	—	70
Total				244

3. Reserved funds for long-term maintenance plan

The Investment Corporation had reserved funds as below to appropriate for future expenditures on maintenance based on a long-term maintenance plan.

Fiscal period	(Millions of yen)				
	15 th	16 th	17 th	18 th	19 th
As of /for the six months ended	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
Reserved funds at beginning of period	510	659	580	702	577
Increase	426	428	440	458	550
Decrease	277	507	317	583	346
Reserved funds at end of period	659	580	702	577	781

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Fiscal period	18 th	19 th
For the six months ended	June 30, 2015	December 31, 2015
(a) Asset management fees	318,448	450,229
(b) Asset custody fees	8,422	10,629
(c) Administrative service fees	41,578	50,176
(d) Directors' compensations	6,175	5,700
(e) Independent auditor fees	10,000	10,000
(f) Other operating expenses	75,130	74,037
Total	459,755	600,772

Note 1 The asset management fees above do not include acquisition fees capitalized as part of the acquisition cost of properties amounted to ¥74,600 thousand and ¥519,749 thousand for the six months ended June 30, 2015 and December 31, 2015, respectively.

2. Loans payable

Loans payable as of December 31, 2015 were as follows:

Classification	Name of lender	Borrowing date	Beginning balance	Ending balance	Average interest rate ⁽¹⁾ (%)	Maturity date	Repayment method	Use of proceeds	Remarks	
			(Thousands of yen)							
Short-term loans payable	Revolving credit loan (1 year)	Mizuho Bank, Ltd.	April 30, 2015	2,500,000	2,500,000	0.771	April 28, 2016	Lump sum	(Note 6)	Unsecured and unguaranteed
	Revolving credit loan (9 months)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation	August 6, 2015	—	1,800,000	0.563	April 28, 2016	Lump sum	(Note 6)	Unsecured and unguaranteed
	Subtotal			2,500,000	4,300,000					
Long-term loans payable	Term loan (4 years 11 months) (Notes 2 and 3)	Mizuho Bank, Ltd. Resona Bank, Limited Shinkin Central Bank The Nanto Bank, Ltd.	August 31, 2010	6,500,000	—	1.447	July 31, 2015	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (6 years 11 months) (Notes 4 and 7)	Development Bank of Japan Inc.	August 31, 2010	3,875,000	3,750,000	1.795	July 31, 2017 (Note 5)	(Note 5)	(Note 6)	Unsecured and unguaranteed
	Term loan (5 years) (Notes 2, 4 and 7)	Mizuho Bank, Ltd. Development Bank of Japan Inc.	July 29, 2011	4,000,000	4,000,000	1.364	July 31, 2016	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (3 years) (Note 2)	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation The Senshu Ikeda Bank, Ltd.	July 31, 2012	8,500,000	—	0.750	July 31, 2015	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (5 years) (Notes 2 and 3)	Sumitomo Mitsui Trust Bank, Limited Aozora Bank, Ltd.	July 31, 2012	4,300,000	4,300,000	1.141	July 31, 2017	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (7 years) (Note 4)	Development Bank of Japan Inc.	July 31, 2012	1,700,000	1,700,000	1.524	July 31, 2019	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (3 years) (Notes 2 and 7)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Shinkin Central Bank The Senshu Ikeda Bank, Ltd. THE NISHI-NIPPON CITY BANK, LTD. The Hyakugo Bank, Ltd.	July 31, 2013	15,900,000	15,900,000	0.771	July 29, 2016	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (5 years) (Notes 2 and 3)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd.	July 31, 2013	4,800,000	4,800,000	1.297	July 31, 2018	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (7 years) (Notes 2 and 4)	Development Bank of Japan Inc. THE MINATO BANK, LTD.	July 31, 2013	1,800,000	1,800,000	1.709	July 31, 2020	Lump sum	(Note 6)	Unsecured and unguaranteed
	Term loan (3 years) (Notes 2 and 3)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Shinkin Central Bank The Senshu Ikeda Bank, Ltd.	July 31, 2014	6,000,000	6,000,000	0.707	July 31, 2017	Lump sum	(Note 6)	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Beginning balance	Ending balance	Average interest rate ⁽¹⁾	Maturity date	Repayment method	Use of proceeds	Remarks
			(Thousands of yen)		(%)				
Term loan (5 years) (Notes 2 and 3)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Resona Bank, Limited	July 31, 2014	4,000,000	4,000,000	0.962	July 31, 2019	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (6 years) (Notes 2 and 3)	Mizuho Bank, Ltd. The Hiroshima Bank, Ltd. Sony Bank Incorporated	July 31, 2014	2,000,000	2,000,000	1.240	July 31, 2020	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (7 years) (Notes 2 and 4)	Mizuho Bank, Ltd. Aozora Bank, Ltd.	July 31, 2014	1,800,000	1,800,000	1.478	July 31, 2021	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (4 years) (Note 2)	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation Shinkin Central Bank The Senshu Ikeda Bank, Ltd. The Nanto Bank, Ltd.	July 31, 2015	—	9,500,000	0.671	July 31, 2019	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (6 years) (Notes 2 and 3)	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation The Senshu Ikeda Bank, Ltd.	July 31, 2015	—	4,500,000	1.034	July 31, 2021	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (8 years) (Note 3)	Mizuho Bank, Ltd.	July 31, 2015	—	1,000,000	1.384	July 31, 2023	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (3 years) (Note 2)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation The Senshu Ikeda Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. THE NISHI-NIPPON CITY BANK, LTD. Mizuho Trust & Banking Co., Ltd. The Hyakugo Bank, Ltd.	July 31, 2015	—	10,500,000	0.571	July 31, 2018	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (5 years) (Notes 2 and 3)	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Trust & Banking Co., Ltd.	July 31, 2015	—	9,300,000	0.865	July 31, 2020	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (5 years) (Note 4)	Development Bank of Japan Inc.	July 31, 2015	—	1,200,000	0.908	July 31, 2020	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (7 years) (Notes 2 and 3)	Mizuho Bank, Ltd. Aozora Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Trust & Banking Co., Ltd.	July 31, 2015	—	2,200,000	1.202	July 31, 2022	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (7 years) (Note 4)	Development Bank of Japan Inc.	July 31, 2015	—	800,000	1.233	July 31, 2022	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (8 years) (Note 3)	Mizuho Bank, Ltd.	July 31, 2015	—	500,000	1.384	July 31, 2023	Lump sum	(Note 6)	Unsecured and unguaranteed
Term loan (8 years) (Note 4)	Development Bank of Japan Inc.	July 31, 2015	—	500,000	1.400	July 31, 2023	Lump sum	(Note 6)	Unsecured and unguaranteed
	Subtotal		67,175,000	90,050,000					
	Total		67,675,000	94,350,000					

Note 1 The average interest rate indicates a weighted average of interest rate for each six-month period, rounded to the third decimal place. The average interest rates of loans payable which were hedged by interest rate swaps are calculated adjusting the effect of the interest rate swaps.

Note 2 These term loans are syndication loan.

Note 3 These term loans are hedged by interest rate swaps.

Note 4 Interest rates of these term loans are fixed rate.

Note 5 The principal is repaid on the end of January and July of each year from January 31, 2011 at an amount of ¥125,000 thousand, and the remaining balance (¥3,375,000 thousand) is repaid on July 31, 2017.

Note 6 The use of proceeds was acquisition of trust beneficiary interest in real estate, etc.

Note 7 Current portion of these term loans totaling to ¥250,000 is shown as current portion of long-term loans payable in the balance sheets.

3. Investment corporation bonds

None

4. Short-term investment corporation bonds

None

5. Investment unit warrants

None

Condition of investment transactions

1. Transactions of property and asset-backed securities, etc.

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
G-Square Shibuya Dogenzaka	August 3, 2015	12,220	—	—	—	—
Shibuya Sakuragaoka Square (land with leasehold interest)	August 3, 2015	5,000	—	—	—	—
Yokohama Creation Square	August 3, 2015	7,080	—	—	—	—
Cube Kawasaki	August 7, 2015	20,050	—	—	—	—
Equity interest of Tokumei Kumiai (silent partnership) agreement backed by the trust beneficiary interest for co-ownership interest of Nagoya Lucent Tower	August 3, 2015	4,919	—	—	—	—
Higashi-Nihombashi Green Bldg.	December 21, 2015	2,705	—	—	—	—
Total	—	51,974	—	—	—	—

Note “Acquisition cost” indicates contracted amount of property in purchase agreement excluding related expenses (brokerage fee, etc.).

2. Transactions of other assets

Other assets than property or asset-backed securities, etc. are bank deposits and bank deposits in trust.

3. Research for specified assets value, etc.

(1) Property

(Millions of yen)

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Appraisal value	Appraiser	Date of appraisal
Acquisition	G-Square Shibuya Dogenzaka	August 3, 2015	12,220	13,300	Japan Real Estate Institute	June 1, 2015
Acquisition	Shibuya Sakuragaoka Square (land with leasehold interest)	August 3, 2015	5,000	5,240	Japan Real Estate Institute	June 1, 2015
Acquisition	Yokohama Creation Square	August 3, 2015	7,080	7,280	Tanizawa Sōgō Appraisal Co., Ltd.	June 1, 2015
Acquisition	Cube Kawasaki	August 7, 2015	20,050	20,400	Daiwa Real Estate Appraisal Co., Ltd.	June 1, 2015
Acquisition	Higashi-Nihombashi Green Bldg.	December 21, 2015	2,705	2,900	Japan Real Estate Institute	December 1, 2015
	Total		47,055	49,120		

Note 1 “Acquisition cost / Disposal amount” indicates contracted amount of property in purchase/disposal agreement excluding related expenses (brokerage fee, etc.).

Note 2 As an amendment of Article 201 of the Act on Investments Trusts and Investment Corporation of Japan had been effective on November 24, 2011, the Investment Corporation obtains appraisal value of the specified assets prescribed under Article 201, Paragraph 1, the Act on Investments Trusts and Investment Corporation of Japan (land or building, leasehold rights and superficies of land as well as trust beneficiary interest only consist of these assets (limited to interest held by a single investor) by real estate appraiser (but not interested party) when the specified asset is acquired or disposed. The appraisal value above is based on “Paragraph 3 – Appraisal of Securitized Real Estate” of the Real Estate Appraisal Standards of Japan.

(2) Asset backed securities

(Millions of yen)

Acquisition/ Disposal	Name of securities	Date of acquisition/disposal	Classification of assets	Acquisition cost/ Disposal amount (Note 1)	Appraisal value
Acquisition	Equity interest of Tokumei Kumiai (silent partnership) agreement backed by the trust beneficiary interest for co-ownership interest of Nagoya Lucent Tower	August 3, 2015	Investments in Tokumei Kumiai agreement	4,919	5,154
Total				4,919	5,154

Note 1 "Acquisition cost / Disposal amount" indicates contracted amount of property in purchase/disposal agreement excluding related expenses (brokerage fee, taxes, etc.).

Note 2 The Investment Corporation had received the investigation report regarding with the price, etc. of the asset backed security above from KPMG AZSA LLC in accordance with the Industrial Committee Guidance No.23. "Investigation on price, etc. of the specified assets held by investment trust or investment corporation".

(3) Other transaction

Not applicable

4. Transactions with interested parties

(1) Outline of transactions

(Thousands of yen)

Classification	Acquisition cost / Disposal amount (Notes 2 and 3)	
	Acquisition cost	Disposal amount
Total amount	51,974,900	—
Breakdown for transactions with interested parties		
Godo Kaisha Dogenzaka 211	12,220,000 (23.5%)	— (—%)
Godo Kaisha Sakuragaoka 31	5,000,000 (9.6%)	— (—%)
Godo Kaisha TCTS06	7,080,000 (13.6%)	— (—%)
Total	24,300,000 (46.8%)	— (—%)

Note 1 Although "Interested parties" means the interested parties related with the asset management company of the Investment Corporation prescribed under Article 201, Paragraph 1 of the Act on Investments Trusts and Investment Corporation of Japan, the above table includes transactions with related parties prescribed under internal rules of the asset management company (ex. Special purpose entity managed by the interested parties).

Note 2 Figures in parenthesis represent ratio of the individual amount to the total amount rounding to the nearest first decimal place.

Note 3 "Acquisition cost / Disposal amount" indicates contracted amount of property in purchase/disposal agreement excluding related expenses (brokerage fee, taxes, etc.).

(2) Amounts of fees paid and other expenses

There were no fees to interested parties for the six months ended December 31, 2015. For other expenses, the Investment Corporation paid ¥411,308 thousand of utilities to The Kansai Electric Power Company, Incorporated during the period.

5. Transactions with asset manager relating to other business than asset management

None

Financial information

1. Financial position and operating results

Please refer to the accompanying balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions.

2. Changes in depreciation method

None

3. Changes in valuation method of real property

None

Other information

1. Notice

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended December 31, 2015 was as follows:

Approval day	Item	Summary
July 9, 2015	Underwriting agreements of new investment units	In connection with the issuance of new investment units, the Board of Directors of the Investment Corporation approved entering into the underwriting agreements with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Nomura Securities Co., Ltd., Nomura Securities Co., Ltd. and UBS Securities Japan Co., Ltd. as joint lead managers
July 9, 2015	Modification of asset management agreement	In response to change of main sponsor from MID REIT, Inc. to Mitsubishi Corp. - UBS Realty Inc., the definition of relative parties of the sponsor and other matters were modified.
December 25, 2015	Agreement of asset management fee	Asset management fee rate for the next fiscal period and after was agreed.
December 25, 2015	Partial modification of investment unit administration agreement	In response to enforcement of Act on the Protection of Personal Information Held by Administrative Organs, partial modification was made.

2. Investment trust beneficiary interest of the Investment Corporation

None

3. Overseas real estate investment corporation and property held by the corporation

None

4. Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this presentation. As a result, the total shown in this presentation do not necessarily agree to the sum of the individual items.

II. Balance sheets

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
ASSETS		
Current assets:		
Cash and bank deposits	7,032,286	4,629,691
Cash and bank deposits in trust	6,271,387	8,262,102
Rental receivables	125,119	162,048
Income taxes receivable	—	43,592
Consumption tax refundable	132,546	246,345
Prepaid expenses	23,454	42,697
Deferred tax assets	25	14
Other	118	—
Total current assets	13,584,938	13,386,491
Noncurrent assets:		
Property, plant and equipment:		
Buildings in trust, at cost (Note 3)	66,846,055	72,816,769
Less: Accumulated depreciation	(16,915,672)	(18,139,999)
Buildings in trust, net	49,930,383	54,676,770
Structures in trust, at cost	110,824	119,205
Less: Accumulated depreciation	(22,293)	(24,228)
Structures in trust, net	88,531	94,976
Machinery and equipment in trust, at cost	7,916	7,916
Less: Accumulated depreciation	(1,391)	(1,719)
Machinery and equipment in trust, net	6,524	6,196
Tools, furniture and fixtures in trust, at cost	538,691	547,875
Less: Accumulated depreciation	(331,221)	(356,523)
Tools, furniture and fixtures in trust, net	207,469	191,351
Land in trust	109,964,747	151,954,124
Construction in progress in trust	4,298	4,298
Total net property, plant and equipment	160,201,954	206,927,718
Intangible assets:		
Software	427	310
Trademark right	416	352
Total intangible assets	843	663
Investments and other assets:		
Investment securities	—	5,085,027
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	304,946	616,627
Total investments and other assets	314,946	5,711,654
Total noncurrent assets	160,517,744	212,640,036
Deferred assets:		
Investment unit issuance costs	14,892	73,457
Total deferred assets	14,892	73,457
TOTAL ASSETS	174,117,575	226,099,985

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
LIABILITIES		
Current liabilities:		
Operating accounts payable	347,785	365,639
Short-term loans payable	2,500,000	4,300,000
Current portion of long-term loans payable	15,250,000	20,150,000
Accounts payable – other	630,101	886,858
Accrued expenses	108,476	143,141
Distribution payable	7,852	6,964
Income taxes payable	1,285	–
Advances received	719,616	951,470
Other	465,509	519,136
Total current liabilities	20,030,627	27,323,210
Noncurrent liabilities:		
Long-term loans payable	49,925,000	69,900,000
Tenant leasehold and security deposits	7,356,607	8,323,810
Tenant leasehold and security deposits in trust	2,759,656	3,372,942
Total noncurrent liabilities	60,041,264	81,596,753
TOTAL LIABILITIES	80,071,892	108,919,963
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	92,808,193	115,243,069
Surplus:		
Retained earnings	1,237,489	1,936,952
Total surplus	1,237,489	1,936,952
Total unitholders' equity	94,045,683	117,180,022
TOTAL NET ASSETS (Note 4)	94,045,683	117,180,022
TOTAL LIABILITIES AND NET ASSETS	174,117,575	226,099,985

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Operating revenue		
Rent revenue—real estate (Note 5)	4,905,067	5,987,786
Other rental business revenue (Note 5)	360,691	480,911
Dividends income	—	111,040
Total operating revenue	5,265,758	6,579,738
Operating expenses		
Expenses related to rental business	3,122,528	3,471,541
Asset management fees	318,448	450,229
Asset custody fee	8,422	10,629
Administrative service fees	41,578	50,176
Directors' compensations	6,175	5,700
Other	85,130	84,037
Total operating expenses	3,582,283	4,072,313
Operating income	1,683,474	2,507,424
Non-operating income		
Interest income	1,391	1,631
Reversal of distribution payable	791	691
Interest on refund	—	473
Total non-operating income	2,183	2,796
Non-operating expenses		
Interest expenses	354,149	439,425
Borrowing related expenses	90,917	114,947
Amortization of investment unit issuance costs	1,353	12,590
Other	192	5,373
Total non-operating expenses	446,612	572,337
Ordinary income	1,239,044	1,937,883
Income before income taxes	1,239,044	1,937,883
Income taxes		
Current	1,567	1,000
Deferred	(3)	11
Total income taxes	1,564	1,011
Net income	1,237,480	1,936,871
Retained earnings brought forward	9	80
Unappropriated retained earnings	1,237,489	1,936,952

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended June 30, 2015

	Unitholders' equity				Total net assets
	Unitholders' capital (Note 4)	Surplus		Total unitholders' equity	
		Retained earnings	Total surplus		
Balance as of January 1, 2015	90,372,613	1,094,046	1,094,046	91,466,660	91,466,660
<u>Changes during the period</u>					
Issuance of new investment units	2,435,580	—	—	2,435,580	2,435,580
Dividends from surplus	—	(1,094,037)	(1,094,037)	(1,094,037)	(1,094,037)
Net income	—	1,237,480	1,237,480	1,237,480	1,237,480
<u>Total changes during the period</u>	2,435,580	143,443	143,443	2,579,023	2,579,023
Balance as of June 30, 2015	92,808,193	1,237,489	1,237,489	94,045,683	94,045,683

For the six months ended December 31, 2015

	Unitholders' equity				Total net assets
	Unitholders' capital (Note 4)	Surplus		Total unitholders' equity	
		Retained earnings	Total surplus		
Balance as of July 1, 2015	92,808,193	1,237,489	1,237,489	94,045,683	94,045,683
<u>Changes during the period</u>					
Issuance of new investment units	22,434,876	—	—	22,434,876	22,434,876
Dividends from surplus	—	(1,237,409)	(1,237,409)	(1,237,409)	(1,237,409)
Net income	—	1,936,871	1,936,871	1,936,871	1,936,871
<u>Total changes during the period</u>	22,434,876	699,462	699,462	23,134,338	23,134,338
Balance as of December 31, 2015	115,243,069	1,936,952	1,936,952	117,180,022	117,180,022

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

V. Notes to financial information

Note 1 – Note relating to going concern assumption

Nothing to be noted.

Note 2 – Summary of significant accounting policies

(a) Securities

Non-marketable securities held as available-for-sale are stated at cost determined by the moving average method. Investments in Tokumei Kumiai (silent partnership) agreements are accounted for by using the equity method of accounting.

(b) Property, plant and equipment

Property, plant and equipment is recorded at cost. Depreciation of property, plant and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

Buildings in trust.....	2-65 years
Structures in trust.....	10-50 years
Machinery and equipment in trust.....	11 years
Tools, furniture and fixtures in trust.....	3-15 years

(c) Intangible assets

Intangible assets are amortized on a straight-line basis. The estimated useful life of software is five years.

(d) Long-term prepaid expenses

Long-term prepaid expenses are amortized on a straight-line basis.

(e) Investment unit issuance costs

Investment unit issuance costs are capitalized and amortized on a straight-line basis over three years.

(f) Taxes on property, plant and equipment

Property, plant and equipment are annually subject to various taxes, such as property taxes and urban planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1 of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with accounting principles and practices generally accepted in Japan (“Japanese GAAP”). In subsequent calendar years, half of such taxes on property, plant and equipment for each calendar year are charged as operating expenses in each

fiscal period.

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥18,857 thousand and ¥95,079 thousand for the six months ended June 30, 2015 and December 31, 2015.

(g) Hedge accounting

In accordance with the Investment Corporation's risk management policy and its internal rules, the Investment Corporation uses derivative instruments for the purpose of hedging risks that are prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable through the use of interest rate swaps as hedging instruments and applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under such interest swap contracts can be recognized and added to or reduced from any interest earned or incurred on the hedged asset or liability, as appropriate, and the fair value of the interest rate swap is not required to be evaluated separately. An assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

(h) Accounting treatment of trust beneficiary interests in real estate trusts

For the trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Investment Corporation holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the Investment Corporation in proportion to the percentage interest that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheet of the Investment Corporation.

(i) Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the statement of income and retained earnings. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

Note 3 – Reduction entry for property

Acquisition costs of certain buildings in trust were reduced by government subsidies received or insurance income. The accumulated amounts of such reduction were as follows:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2015	December 31, 2015
Reduction entry by:		
Government subsidies received	4,864	4,864
Insurance income	68,700	68,700

Note 4 – Unitholders' equity

(1) Number of units

	As of	
	June 30, 2015	December 31, 2015
Authorized	2,000,000 units	2,000,000 units
Issued and outstanding	192,025 units	266,025 units

(2) The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required by Article 67-4 of the Act on Investment Trusts and Investment Corporations of Japan.

Note 5 – Rental business revenue and expenses

Revenue and expenses related to property rental business for the six months ended June 30, 2015 and December 31, 2015 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2015	December 31, 2015
Rental business revenue:		
Rent revenue—real estate:		
Rental revenue	4,024,042	4,885,294
Common area charges	730,860	928,151
Other	150,164	174,340
Total rent revenue—real estate	4,905,067	5,987,786
Other rental business revenue:		
Utilities	339,510	441,425
Cancellation penalty	—	4,879
Other	21,180	34,606
Total other rental business revenue	360,691	480,911
Total rental business revenue	5,265,758	6,468,698
Expenses related to rental business:		
Property management fees	657,368	802,451
Utilities	550,998	680,696
Property-related taxes	518,204	508,921
Insurance	11,635	13,299
Repair and maintenance	189,856	159,470
Depreciation	1,150,400	1,251,891
Loss on disposal of property	518	—
Other	43,546	54,810
Total expenses related to rental business	3,122,528	3,471,541
Operating income from property leasing activities	2,143,229	2,997,156

Note 6 – Income taxes

Deferred tax assets consist of the following:

	(Thousands of yen)	
	As of	
	June 30, 2015	December 31, 2015
Deferred tax assets:		
Enterprise tax payable	25	14
Total	25	14
Net deferred tax assets	25	14

A reconciliation of the Investment Corporation's effective tax rates and statutory tax rates is as follows:

	For the six months ended	
	June 30, 2015	December 31, 2015
Statutory tax rates	34.10%	32.31%
Deductible cash distributions	(34.05)	(32.29)
Other	0.08	0.03
Effective tax rates	0.13%	0.05%

On March 31, 2015, the Japanese government announced an Act to partially amend the Income Tax Act (Act No.9 of 2015) which resulted in changes in the statutory tax rate from fiscal periods beginning on or after April 1, 2015. As a consequence of the effects of this Act, the statutory tax rate will change from 34.10% to 32.27% for calculation of deferred tax assets or liabilities. The effects of this change in the statutory tax rate are immaterial for the Investment Corporation.

Note 7 – Leases

None

Note 8 – Financial instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Investment Corporation raises funds through loans payable or the issuance of investment corporation bond for the acquisition of real estate properties, expenditures on property maintenance, payment of distributions, maintaining necessary working capital funds and/or repayment of existing debt. The investment corporation bond, however, has not been issued as of December 31, 2015. Surplus funds are managed carefully through investment in financial instruments taking into account liquidity and safety in light of the current market condition. Derivative instruments are used only for hedging purposes and not for speculation.

(ii) Nature and extent of risks arising from financial instruments and risk management

The funds raised through loans payable are mainly used to acquire real estate properties in trust and for the repayment of existing loans payable. Liquidity risks relating to loans payable and tenant leasehold and security deposits are managed by decentralizing maturity date of loans payable and maintaining liquidity with preparing plans for funds.

Although loans payable with floating interest rates are subject to fluctuations in market interest rates, a certain portion of loans payable with floating interest rates is hedged by interest rate swaps. The Investment Corporation manages interest fluctuation risk by adjusting a ratio of floating rate debt to the total of loans payable in response to the current financial market condition

(iii) Supplemental information on fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, if available. When quoted market prices are not available, fair value is estimated by using valuation techniques which contain various assumptions. If other valuation models

or assumptions were used, the estimated fair value may differ.

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of June 30, 2015 and December 31, 2015.

(Thousands of yen)

	As of					
	June 30, 2015			December 31, 2015		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	7,032,286	7,032,286	—	4,629,691	4,629,691	—
(2) Cash and bank deposits in trust	6,271,387	6,271,387	—	8,262,102	8,262,102	—
Total assets	13,303,674	13,303,674	—	12,891,793	12,891,793	—
(3) Short-term loans payable	2,500,000	2,500,000	—	4,300,000	4,300,000	—
(4) Current portion of long-term loans payable	15,250,000	15,256,643	6,643	20,150,000	20,175,693	25,693
(5) Long-term loans payable	49,925,000	50,364,173	439,173	69,900,000	70,429,216	529,216
Total liabilities	67,675,000	68,120,817	445,817	94,350,000	94,904,909	554,909
(6) Derivative instruments	—	—	—	—	—	—

Note (i): The methods and assumption used to estimate fair value are as follows:

(1) Cash and bank deposits and (2) Cash and bank deposits in trust

Because of their short maturities, the carrying amounts approximate their fair value.

(3) Short-term loans payable, (4) Current portion of long-term loans payable and (5) Long-term loans payable

Loans payable with floating interest rates changing within a short term period are stated at their carrying amounts as their carrying amounts approximate their fair values. The fair value of loans payable with fixed interest rates is determined based on the present value of contractual cash flows (when loans payable with floating interest rates are hedged by interest rate swaps which qualify for hedge accounting and meet special criteria, contractual cash flows in conjunction with the hedging interest rate swaps) discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms.

(6) Derivative instruments

Derivative instruments are used only for hedging purpose and are subject to hedge accounting as following tables show.

As of June 30, 2015

(Thousands of yen)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
			Interest rate swaps	Over 1 year		
Special treatment for hedge accounting of interest rate swaps	(Floating-rate to fixed-rate interest)	Long-term loans payable	27,600,000	21,100,000	Note (a)	-

As of December 31, 2015

(Thousands of yen)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
			Interest rate swaps	Over 1 year		
Special treatment for hedge accounting of interest rate swaps	(Floating-rate to fixed-rate interest)	Long-term loans payable	38,600,000	38,600,000	Note (a)	-

Note:

(a) As disclosed in “Note 2 - Summary of significant accounting policies (g) Hedge accounting”, the Investment Corporation applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instrument and the long-term loans payable as the hedged item is calculated together as one. Please refer to above footnote (“Liabilities, (3) Short-term loans payable, (4) Current portion of long-term loans payable and (5) Long-term loans payable”).

Note (ii): Financial instruments for which fair value is difficult to determine are as follows:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Investment securities	—	5,085,027
Tenant leasehold and security deposits	7,356,607	8,323,810
Tenant leasehold and security deposits in trust	2,759,656	3,372,942

The investment securities (equity interests in silent partner ship) are not traded in markets, and it is difficult to estimate reasonable fair value. Also, the above carrying amounts of tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

Note (iii): Cash flows schedule of financial assets after the balance sheet date

(Thousands of yen)

As of June 30, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	7,032,286	-	-	-	-	-
Cash and bank deposits in trust	6,271,387	-	-	-	-	-
Total	13,303,674	-	-	-	-	-

(Thousands of yen)

As of December 31, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	4,629,691	-	-	-	-	-
Cash and bank deposits in trust	8,262,102	-	-	-	-	-
Total	12,891,793	-	-	-	-	-

Note (iv): Cash flows schedule of interest-bearing financial liabilities after the balance sheet date

(Thousands of yen)

As of June 30, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	2,500,000	-	-	-	-	-
Long-term loans payable	15,250,000	20,150,000	13,675,000	4,800,000	5,700,000	5,600,000

(Thousands of yen)

As of December 31, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	4,300,000	-	-	-	-	-
Long-term loans payable	20,150,000	13,800,000	15,300,000	15,200,000	14,300,000	11,300,000

Note 9 – Fair value of investment and rental property

The Investment Corporation has mainly office buildings as investment and rental properties which are located in Tokyo and Osaka metropolitan areas or other areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended June 30, 2015 and December 31, 2015.

(Thousands of yen)

	As of / For the six months ended	
	June 30, 2015	December 31, 2015
Net book value		
Balance at the beginning of the period	153,137,466	160,197,655
Net increase during the period ⁽¹⁾	7,060,189	46,725,764
Balance at the end of the period	160,197,655	206,923,420
Fair value⁽²⁾	129,180,000	183,420,000

Notes:

(1) For the six months ended June 30, 2015:

Changes in the net book value are mainly due to acquisition of trust beneficiary interest in Sumitomo Fudosan Ueno Building No.6 amounting to ¥7,816,951 thousand offset by depreciation.

For the six months ended December 31, 2015:

Changes in the net book value are mainly due to acquisition of trust beneficiary interest in G-Square Shibuya Dogenzaka, Shibuya Sakuragaoka Square (land with leasehold interest), Yokohama Creation Square, Cube Kawasaki and Higashi-Nihombashi Green Building totaling ¥47,732,963 thousand offset by depreciation.

(2) Fair value has been determined based on the appraisal value provided by independent real estate appraisers.

For rental revenues and expenses for the six months ended June 30, 2015 and December 31, 2015, please refer to “Note 5 – Rental business revenue and expenses.”

Note 10 – Restriction on Asset Management

None

Note 11 – Related-party transactions

For the six months ended June 30, 2015:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation (%)	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Note 2) (Thousands of yen)	Balance sheet account	Amounts (Note 2) (Thousands of yen)
Interested party	Mitsubishi Corporation Fashion Co., Ltd	Clothing manufacture	—	Rental business revenue (Note 1)	10,509	Advances received	1,774
						Rental receivables	123
						Tenant leasehold and security deposits	10,593
Interested party	Lawson, Inc.	Franchise chain development of convenience store	—	Rental business revenue (Note 1)	8,716	Advances received	1,295
						Rental receivables	18
						Tenant leasehold and security deposits	31,424
Interested party	MID Urban Development Co., Ltd.	Real estate business	4.79	Rental business revenue (Note 1)	5,841	Advances received	878
						Rental receivables	327
						Tenant leasehold and security deposits	4,880
Interested party	MID Property Management Co., Ltd.	Property management	—	Property management fees	143,869	Operating accounts payable	27,486
				Fees paid	4,971	—	—
				Rental business revenue (Note 1)	99,401	Rental receivables	2,114
						Advances received	13,654
						Tenant leasehold and security deposits	150,233
Other rental business expenses	1,357	Operating accounts payable	287				
Interested party	MID Facility Management Co., Ltd.	Facility management	—	Property management fees	502,010	Operating accounts payable	95,497
				Rental business revenue (Note 1)	167,659	Rental receivables	5,457
						Advances received	5,471
						Tenant leasehold and security deposits	135,016
				Repair construction, etc.	189,037	Operating accounts payable	20,207
				Accounts payable – other	33,328	—	—
				Insurance	423	Prepaid expenses	9,971
Advertising expenses	60	Operating accounts payable	64				
Interested party	The Kansai Electric Power Company, Incorporated	Electric power	—	Rental business revenue (Note 1)	70,667	Advances received	744
						Rental receivables	9,362
						Tenant leasehold and security deposits	104,029
				Utilities	405,990	Operating accounts payable	78,509
Other rental business expenses	26	—	—				
Interested party	K-Opticom Corporation	Telecommunication service	—	Rental business revenue (Note 1)	54	Advances received	27
Interested party	Kinden Corporation	Construction of electric facilities, communication systems, and environmental-related facilities	—	Rental business revenue (Note 1)	3,782	Advances received	8
						Rental receivables	526
						Tenant leasehold and security deposits	5,845
Repair construction, etc.	56,835	—	—				
Interested party	KANDEN ENERGY SOLUTION CO., INC.	Gas, cogeneration, ESCO, etc.	—	Other rental business expenses	3,018	Operating accounts payable	543
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	Administrative service fees	34,227	Accounts payable – other	36,965
				Asset custody fee	11,983	—	—
				Interest expenses	37,928	Accrued expenses	10,751
				Borrowing related expenses	3,914	Prepaid expenses	17,888

For the six months ended June 30, 2015:

Type of related-party	Company name	Business	Voting interest in the Investment Corporation (%)	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Note 2) (Thousands of yen)	Balance sheet account	Amounts (Note 2) (Thousands of yen)
Interested party	Godo Kaisha Dogenzaka 211	SPC	—	Acquisition of property	12,220,000	—	—
Interested party	Godo Kaisha Sakuragaoka 31	SPC	—	Acquisition of property	5,000,000	—	—
Interested party	Godo Kaisha TCTS06	SPC	—	Acquisition of property	7,080,000	—	—
Interested party	Mitsubishi Corporation Fashion Co., Ltd	Clothing manufacture	—	Rental business revenue (Note 1)	10,480	Advances received	1,725
						Rental receivables	129
						Tenant leasehold and security deposits	10,458
Interested party	Lawson, Inc.	Franchise chain development of convenience store	—	Rental business revenue (Note 1)	8,732	Advances received	1,295
						Rental receivables	19
						Tenant leasehold and security deposits	31,424
Interested party	MID Uraban Development Co., Ltd.	Real estate business	3.46	Rental business revenue (Note 1)	5,381	Advances received	878
						Rental receivables	61
						Tenant leasehold and security deposits	4,880
Interested party	The Kansai Electric Power Company, Incorporated	Electric power	—	Rental business revenue (Note 1)	71,042	Advances received	802
						Rental receivables	9,362
						Tenant leasehold and security deposits	104,029
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	Administrative service fees	53,223	Accounts payable—other	57,480
				Asset custody fee	12,765	—	—
				Interest expenses	61,462	Accrued expenses	20,329
				Borrowing related expenses	5,654	Prepaid expenses	27,032

Notes:

- (1) Rental business revenue consist of rental revenue, common area charges, parking revenue, utilities, facility usage fee, etc.
- (2) The transaction amounts exclude consumption taxes and the balance amounts include those taxes.
- (3) The terms and conditions are decided based on third party transactions.

Note 12 – Per unit information

The net asset value per unit as of June 30, 2015 and December 31, 2015 was ¥489,757 and ¥440,484, respectively. Net income per unit for the six months ended June 30, 2015 and December 31, 2015 was ¥6,622 and ¥7,614, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Investment Corporation has no potentially dilutive units.

A basis of calculation of net income per unit is as follows:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2015	December 31, 2015
Net income	1,237,480	1,936,871
Amount not attributable to common unitholders	—	—
Net income attributable to common unitholders	1,237,480	1,936,871
Adjusted weighted-average number of units outstanding for the period	186,874 units	254,351 units

Note 13 – Subsequent events

For the six months ended June 30, 2015:

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on July 9, 2015 and July 22, 2015, resolved to issue new investment units as follows. As a result, unitholders' capital increased to ¥115,243,069,750 and number of investment units issued and outstanding increased to 266,025 units.

(a) Issuance of new investment units through public offering

Number of new investment units to be issued: 70,000 units
 Offer price: ¥313,462 per unit
 Total offering amount: ¥21,942,340,000
 Issue price (amount to be paid in): ¥303,174 per unit
 Total amount to be paid in: ¥21,222,180,000
 Payment date: July 29, 2015

(b) Issuance of new investment units through third-party allotment

Number of new investment units to be issued: 4,000 units
 Issue price (amount to be paid in): ¥303,174 per unit
 Total amount to be paid in: ¥1,212,696,000
 Payment date: August 17, 2015
 Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

(c) Use of proceeds

The Investment Corporation used the net proceeds from the issuance of new investment units for acquiring assets stated as bellow. Net proceeds from the third-party allotment will appropriate for acquisition of specified assets or repayment of existing debt in the future.

Acquisition of assets

The Investment Corporation acquired following assets.

Name of property	Location	Type of asset	Use	Seller	Acquisition cost (Note 1) (Millions of yen)	Date of acquisition
G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	Office, retail, parking lot	Godo Kaisha Dogenzaka 211	12,220	August 3, 2015
Shibuya Sakuragaoka Square (land with leasehold interest (Note 2))	109-7 and other, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	—	Godo Kaisha Sakuragaoka 31	5,000	August 3, 2015
Yokohama Creation Square (Note 3)	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	Office, retail	Godo Kaisha TCTS06	7,080	August 3, 2015
Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki, Kanagawa	Trust beneficiary interest in real estate	Office	Yugen Kaisha Cube Kawasaki Investment	20,050	August 7, 2015
Subtotal					44,350	
Nagoya Lucent Tower (Note 4)	6-1 Ushijima-cho, Nishi-ku, Nagoya-shi, Aichi	Equity interest in silent partnership	Retail, office, parking lot, bicycle parking lot	Hulic Co., Ltd.	4,919	August 3, 2015
Total					49,269	

Note 1 "Acquisition cost" indicates the sale price (excluding acquisition expenses, property taxes, city planning taxes, consumption taxes, etc.) of respective beneficiary interest or silent partnership interest stated in the trust beneficiary interest transfer agreement or silent partnership transfer agreement.

Note 2 The Investment Corporation acquired 40% quasi co-ownership of trust beneficiary interest of the property.

Note 3 The Investment Corporation acquired 96.74% sectional ownership of the buildings.

Note 4 "Location" and "use" of Nagoya Lucent Tower represents information on the real estate in form of trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower

Borrowing of loans payable

The Investment Corporation raised funds for acquiring above assets through loans payable as follows:

(1) Term loan (3 years)

Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., Resona Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, The Senshu Ikeda Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Nishi-Nippon City Bank, Ltd., Mizuho Trust & Banking Co., Ltd., The Hyakugo Bank, Ltd.
Amount	¥10,500 million
Interest rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association) +0.4% (Note 1)
Borrowing date	July 31, 2015
Maturity date	July 31, 2018 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

(2) Term loan (5 years)

a. Borrowing with floating interest rate

Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., Resona Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd.
Amount	¥9,300 million
Interest rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (fixed through interest-rate swap agreement) + 0.6% (Note 1) ※Interest rate will be fixed due to the conclusion of a swap agreement at 0.86545%
Borrowing date	July 31, 2015
Maturity date	July 31, 2020 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

b. Borrowing with fixed interest rate

Lender	Development Bank of Japan Inc.
Amount	¥1,200 million
Interest rate	0.90750% (fixed rate)
Borrowing date	July 31, 2015
Maturity date	July 31, 2020 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

(3) Term loan (7 years)

a. Borrowing with floating interest rate

Lender	Mizuho Bank, Ltd., Aozora Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd.
Amount	¥2,200 million
Interest rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (fixed through interest-rate swap agreement) + 0.8% (Note 1) ※Interest rate will be fixed due to the conclusion of a swap agreement at 1.20235%
Borrowing date	July 31, 2015
Maturity date	July 31, 2022 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

b. Borrowing with fixed interest rate

Lender	Development Bank of Japan Inc.
Amount	¥800 million
Interest rate	1.23250% (fixed rate)
Borrowing date	July 31, 2015
Maturity date	July 31, 2022 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

(4) Term loan (8 years)

a. Borrowing with floating interest rate

Lender	Mizuho Bank, Ltd.
Amount	¥500 million
Interest rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (fixed through interest-rate swap agreement) + 0.9% (Note 1) ※Interest rate will be fixed due to the conclusion of a swap agreement at 1.3843%
Borrowing date	July 31, 2015
Maturity date	July 31, 2023 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

b. Borrowing with fixed interest rate

Lender	Development Bank of Japan Inc.
Amount	¥500 million
Interest rate	1.40000% (fixed rate)
Borrowing date	July 31, 2015
Maturity date	July 31, 2023 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

(5) Revolving credit loan

Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Banking Corporation
Amount	¥1,800 million
Interest rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association + 0.4% (Note 1)
Borrowing date	August 6, 2015
Maturity date	April 28, 2016 (Note 2)
Repayment method	Lump sum
Collateral	Unsecured, Unguaranteed

Note 1 The base interest rate applicable to the calculation period for the interest to be paid on the interest payment date is the Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (JBA) two business days preceding the interest payment date. However, in the event the calculation period is a period of less than 3 months, the base interest rate is calculated based on the method stipulated in the agreements.

Note 2 Repayment day shall be the day immediately following any repayment date if such repayment date is not a business day. However, the repayment day shall be the day preceding the repayment date if such repayment date falls into the next month.

For the six months ended December 31, 2015:

None

VI. Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Unappropriated retained earnings	1,237,489,974	1,936,952,363
Cash distribution declared	1,237,409,100	1,936,928,025
<i>(Cash distribution declared per unit)</i>	<i>(6,444)</i>	<i>(7,281)</i>
Retained earnings carried forward	80,874	24,338

Note:

In accordance with the distribution policy in Article 34, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15 of the Special Taxation Measures Act of Japan and Article 39-32-3 of the Ordinance for Enforcement of the Special Taxation Measures Act for the fiscal period, cash distributions declared for the six months ended June 30, 2015 and December 31, 2015 were ¥1,237,409,100 and ¥1,936,928,025, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 34, Paragraph 1, Item 2.

Note

Accompanying English financial information, comprising of balance sheets, statements of income and retained earnings, statements of changes in net assets, notes to financial information and statements of cash distributions, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 2015 have been audited by KPMG AZSA LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

VII. Statements of cash flows (additional information)

(Thousands of yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Net cash provided by (used in) operating activities:		
Income before income taxes	1,239,044	1,937,883
Depreciation and amortization	1,150,400	1,251,891
Amortization of long-term prepaid expenses	85,368	105,199
Amortization of investment unit issuance costs	1,353	12,590
Interest income	(1,391)	(1,631)
Interest expenses	354,149	439,425
Loss on disposal of fixed assets	518	—
Changes in assets and liabilities:		
Increase in operating accounts receivable	(1,145)	(36,929)
Increase in consumption taxes refundable	(132,546)	(113,799)
Decrease in consumption taxes payable	(56,503)	—
Increase in operating accounts payable	33,100	17,854
Increase in advances received	7,675	231,853
Decrease (increase) in prepaid expenses	2,401	(19,242)
Payments of long-term prepaid expenses	—	(416,880)
Other, net	(60,365)	286,170
Subtotal	2,622,060	3,694,385
Interest income received	1,391	1,631
Interest expenses paid	(354,039)	(404,761)
Income taxes paid	(1,427)	(45,877)
Net cash provided by operating activities	2,267,984	3,245,378
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment in trust	(8,393,178)	(47,925,619)
Purchase of investment securities	—	(5,085,027)
Proceeds from tenant leasehold and security deposits	188,931	1,192,820
Proceeds from tenant leasehold and security deposits in trust	886,204	1,858,798
Payments of tenant leasehold and security deposits	(289,374)	(253,833)
Payments of tenant leasehold and security deposits in trust	(188,931)	(1,245,512)
Proceeds from restricted bank deposits in trust	—	955
Payments for restricted bank deposits in trust	(730,202)	(459,023)
Net cash used in investing activities	(8,526,551)	(51,916,442)
Net cash provided by (used in) financing activities:		
Increase in short-term loans payable	2,500,000	1,800,000
Proceeds from long-term loans payable	—	40,000,000
Repayments of long-term loans payable	(125,000)	(15,125,000)
Proceeds from issuance of investment units	2,419,333	22,363,721
Dividends paid	(1,094,370)	(1,237,605)
Net cash provided by financing activities	3,699,962	47,801,115
Net change in cash and cash equivalents	(2,558,603)	(869,948)
Cash and cash equivalents at beginning of period	13,126,505	10,567,901
Cash and cash equivalents at end of period ⁽ⁱ⁾	10,567,901	9,697,953

Note:

- (i) Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition. Cash and cash equivalents shown in the statements of cash flows consist of the following balance sheet items:

	As of	
	June 30, 2015	December 31, 2015
Cash and bank deposits	7,032,286	4,629,691
Cash and bank deposits in trust	6,271,387	8,262,102
Restricted bank deposits in trust ⁽¹⁾	(2,735,772)	(3,193,840)
Cash and cash equivalents	10,567,901	9,697,953

Note:

- (1) The usage of the bank deposits in trust is restricted to repayments of tenant leasehold and security deposits.