

Think bold today for a brighter tomorrow.



23rd Period

Fiscal Period ended December, 2017

<http://www.midcity-reit.com/en/>

INVESTOR PRESENTATION

Securities Code **3227**


MCUBS MidCity Investment Corporation

RESULTS

FOR THE 23RD FISCAL PERIOD ENDED DECEMBER 2017



Results Overview

- 
- ❏ DPU 8,110 yen beat the forecast by 60 yen
 - ❏ Progressed rental business improvement
 - ❏ Eliminated unrealized losses in the portfolio
 - ❏ Implemented five-for-one investment unit split
 - ❏ Sorted out how to utilize surplus cash
 - ❏ GRESB Green Star for two consecutive years

DPU 8,110 yen Beat the Forecast by 60 yen

	Fiscal period ended Dec. 31, 2017 (23 rd Period)	Difference from previous period	Difference from initial forecasts*
Operating revenues	7,610 mn. yen	− 414 mn. yen (− 5.2%)	− 4 mn. yen (− 0.1%)
Operating income	2,983 mn. yen	− 167 mn. yen (− 5.3%)	+ 9 mn. yen (+ 0.3%)
Net income	2,405 mn. yen	− 121 mn. yen (− 4.8%)	+ 17 mn. yen (+ 0.7%)
Total distributions	2,405 mn. yen	+ 62 mn. yen (+ 2.6%)	+ 17 mn. yen (+ 0.7%)
Distribution per unit	8,110 yen	+ 210 yen (+ 2.7%)	+ 60 yen (+ 0.7%)

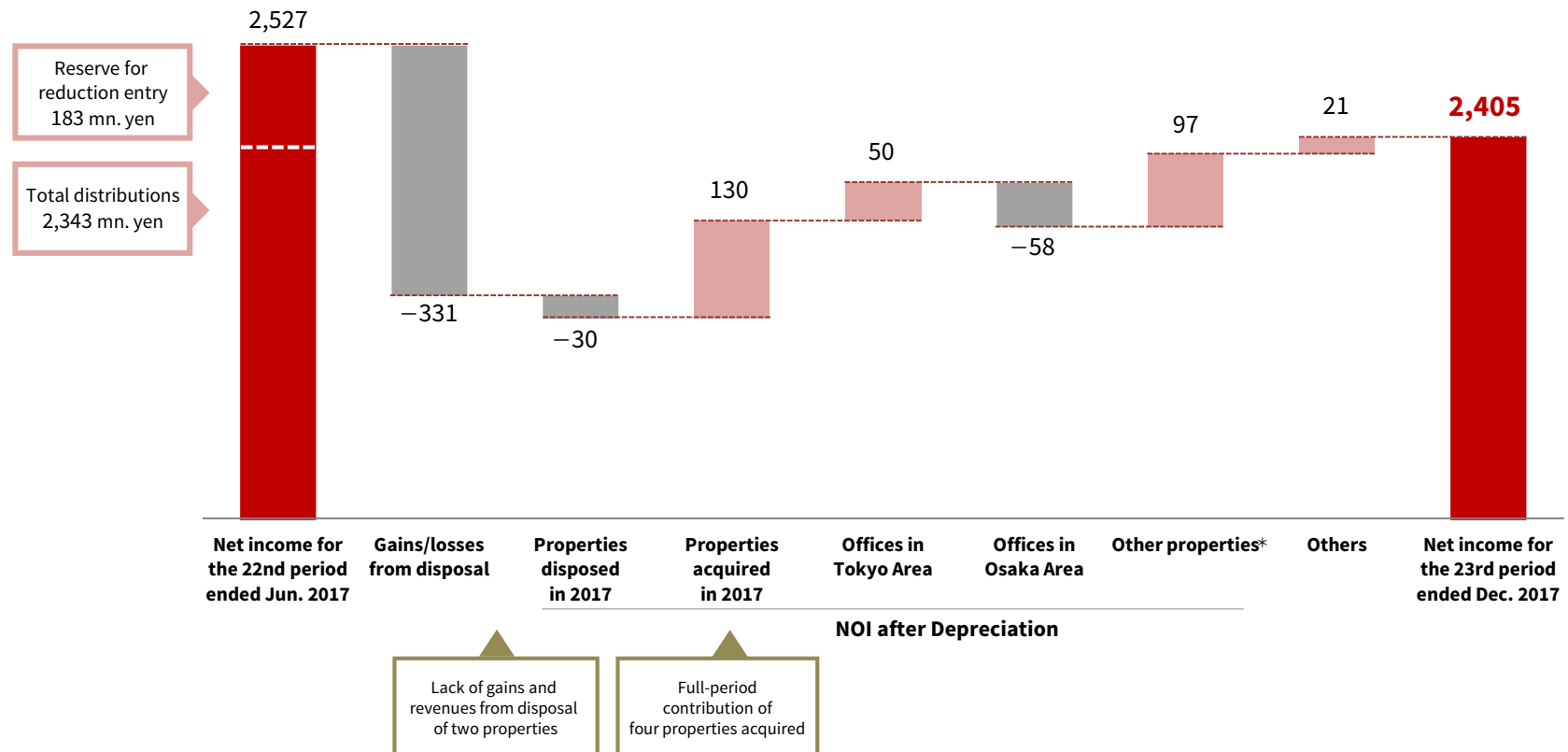
* Compared to the estimates in "The 22nd Fiscal Period Summary Of Financial Results" as of August 15, 2017

DPU Growth Driven by Rental Income Growth



Breakdown of Net Income Changes for the 23rd Period vs. the 22nd Period

(mn. yen)

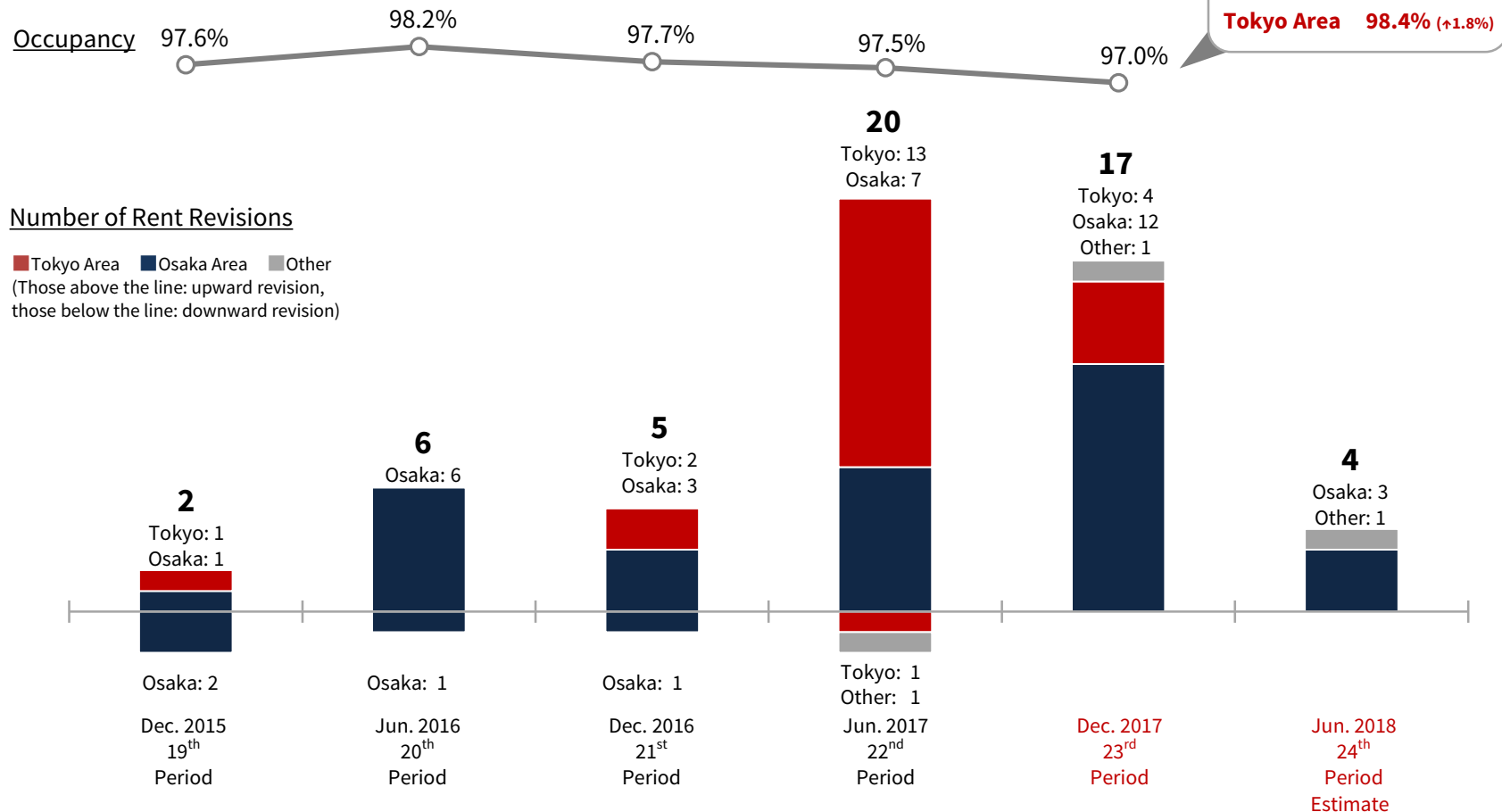


* Including dividends received from SPC backed by Nagoya Lucent Tower

High Occupancy and A Spate of Upward Rent Revisions



Occupancy and The Number of Rent Revisions at Lease Agreements



* The number of rent revisions for 2018/6E (the 24th Period) is based on the number of determined rent revisions as of the end of Dec. 2017

Update on Properties at Osaka Business Park



Lease Agreement with Panasonic (Twin 21)

- Concluded a memorandum to change lease agreement prior to current contract expiry
- Achieved **upward rent revision (+ approx. 7.4%)** and **extension of agreement period**

Portfolio impact of this revision

Revenue growth contribution equivalent to
+ approx. **40** yen per unit (per period)

	Before	After
Agreement Period	April 1, 2015 to March 31, 2018	October 18, 2017 to March 31, 2022
	3 years	Approx. 4.5 years
Annual Rent	1,791 million yen	1,924 million yen
		+ approx. 7.4%
Remarks	—	Non-cancellable during the agreement period The rent is to be revised on July 1, 2018

* Rounded down the fraction of less than one million yen.
Impacts of revenue increase were calculated on a basis of 1,643,125 units



Leasing Update (Matsushita IMP Building)

- Asahi Group vacated 4 floors at the end of September and October 2017
- Leasing contracts with **4 new tenants to refill approx. 3.5 floors** of the vacated 4 floors

Portfolio impact of this leasing

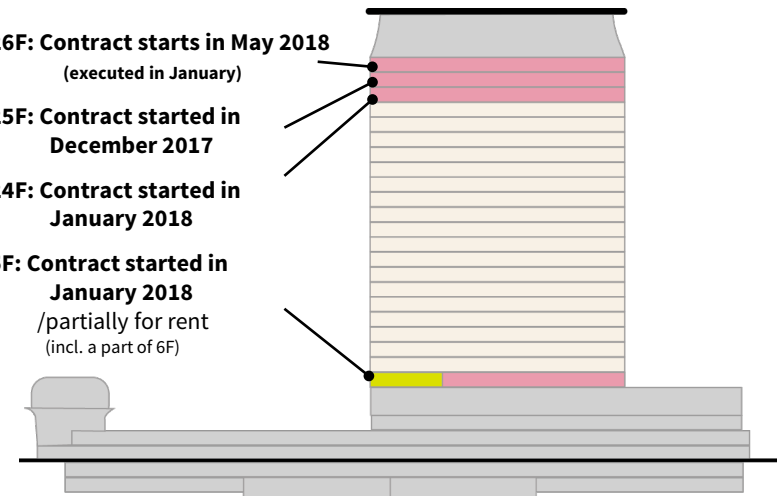
New contracts' revenue contribution equivalent to
+ approx. **76** yen per unit (per period)

26F: Contract starts in May 2018
(executed in January)

25F: Contract started in
December 2017

24F: Contract started in
January 2018

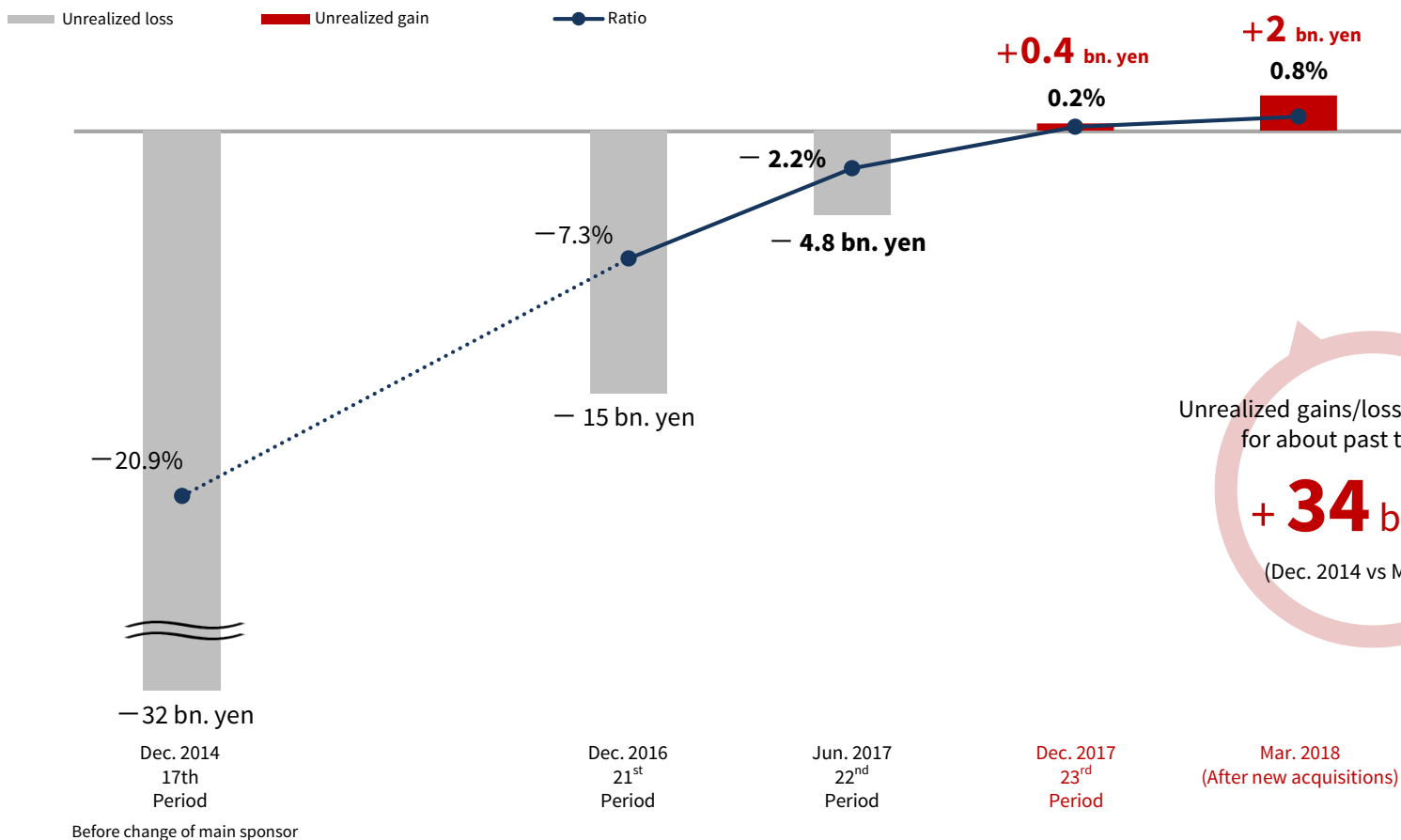
5F: Contract started in
January 2018
/partially for rent
(incl. a part of 6F)



Eliminated Unrealized Losses in the Portfolio



Unrealized Gains/Losses of the Portfolio (Ratio)



* The figure for Mar. 2018 represents an estimate calculated by adding the difference between acquisition prices and appraisal value of the four new properties to the figure for the 23rd Period ended Dec. 2017

Initiatives for Enhancement of Unitholder Value



Implemented Investment Unit Split



Purpose

Broaden MCUBS MidCity's investor base and increase the liquidity of the investment units, making an environment which enables investors to handle their investment more easily after this split



Summary

Record date	December 31, 2017
Method	5 for 1 (1 unit→ 5 units)
Effective date	January 1, 2018
Number of investment units	Before: 296,625 units After: 1,483,125 units



Sorted Out How to Utilize Surplus Cash



Discussion with investors

During investor meetings, we recognized that many institutional investors prefer “repurchase of own investment units” to “surplus cash distribution”



Plans for Unitholder Return

MCUBS MidCity is to consider enhancing unitholder returns through seeking further capital efficiency with considering the following conditions surrounding our investment corporation

1. Investment opportunities in high quality properties which will enhance portfolio quality
2. Financial stability and excess cash level
3. Price of investment unit
4. Compliance with legal/ regulatory requirements

Green Star for Two Consecutive Years at GRESB 2017



Assessment/ Certification by External Agencies

The Investment Corporation is designated as Green Star by GRESB Real Estate Assessment, and obtains certifications for properties in the portfolio.



BELS Certification
Certified for 3 properties



CASBEE assessment
Certified for 2 properties



DBJ Green Building
Certified for 4 properties



MC-UBS Group: Sustainability Policy

MC-UBS Group voluntarily promotes efforts to secure “sustainability” in an environment and an entire society.

- ◆ **Environmental charter**
- ◆ **Responsible Property Investment (RPI) Policy**
- ◆ **The Principles for Financial Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century)**
- ◆ The Principles for Responsible Investment (PRI)
- ◆ Montreal Carbon Pledge
- ◆ The United Nations Environment Programme Finance Initiative (UNEP FI)
- ◆ The United Nations Global Compact (UN Global Compact)
- ◆ **Japan Association for UNHCR**

Items written in green: initiatives implemented by MCUBS MidCity



Signatory of:



ACTIONS

FOR THE 24TH FISCAL PERIOD ENDING JUNE 2018



Actions Overview



- Issued up to 160,000 new investment units
- Acquiring four new properties
- Borrowing 11 billion yen new bank loans
- Forecasted significant DPU growth

Issued Up to 160,000 New Investment Units



Overview of the 3rd Public Offering



Achievement of continued growth through selected investment



Achievement of internal growth via steady asset management



Strengthening of stable financial base for a long-term basis

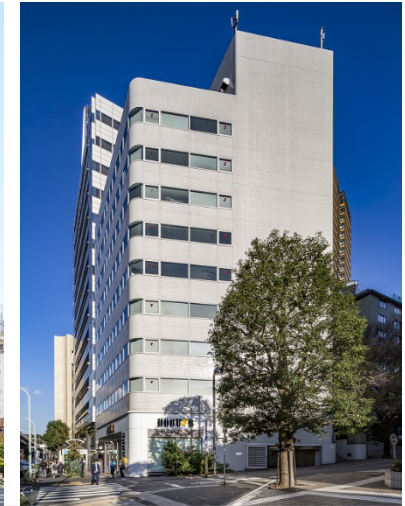
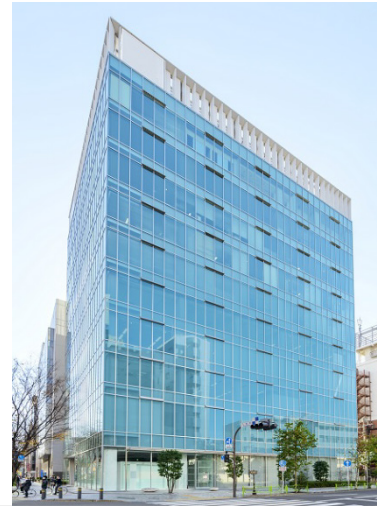
Consistent Improvement in Unitholder Value

Launch Date	Jan. 29, 2018
Proceeds from the offering (incl. third party allotment)	11,304 mn. yen
Number of investment units offered (incl. third party allotment)	160,000 units
Number of investment units outstanding (before the Offering)	1,483,125 units
Number of investment units outstanding (after the Offering incl. third party allotment; as of Mar. 9, 2018)	1,643,125 units

Acquiring Four New Properties



New Acquisitions



	USC Bldg. (quasi co-ownership interest of approx. 54%)	Yoshiyasu Kanda Bldg.	SSP Bldg.	M-City Akasaka 1-chome Bldg.
Location	Koto-ku, Tokyo	Chiyoda-ku, Tokyo	Chuo-ku, Tokyo	Minato-ku, Tokyo
Acquisition Price	5,800 mn. yen	4,000 mn. yen	9,200 mn. yen	4,205 mn. yen
Ratio of Unrealized Gain	+4.7%	+6.5%	+10.9%	+1.8%
Acquisition Date	Feb. 16, 2018		Mar. 1, 2018	
	Acquisition Price	Appraisal Value (Ratio of Unrealized Gain)	NOI Yield	NOI Yield after Depreciation
Total/Average	23,205 mn. yen	24,810 mn. Yen (+6.9%)	4.3%	3.7%

Selected Investment with Our Own Sophisticated Initiative



Acquiring SSP Bldg. upon exclusive negotiation though CRE proposal

Step1

CRE proposal to the seller

Through the sponsor network, we made a CRE proposal to the seller

Step2

Control risks related to the tenant's exit

We built a structure of rent-guaranteed master lease (ML) after receiving cancellation notice from the current tenant during negotiations with the seller

Step3

Secured cash flow stability through ML agreement

We made final negotiations over acquisition after stable revenues from the property were secured under the ML agreement

Step4

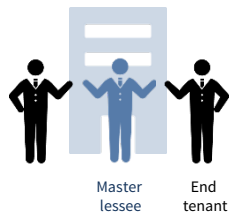
Upside potential after the termination of ML agreement

A fixed long-term lease contract was signed with the new end tenant* before the acquisition, without downtime. Upside is expected after entering into a direct contract with the end tenant after two years

*Toyota Mobility Service Co., Ltd. (currently known as Toyota Tokyo Rental & Leasing Co.,Ltd.)

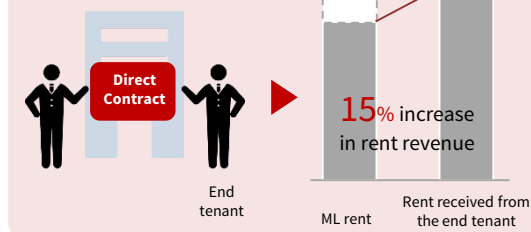


<ML Agreement>



2 years later

<Direct Contract>



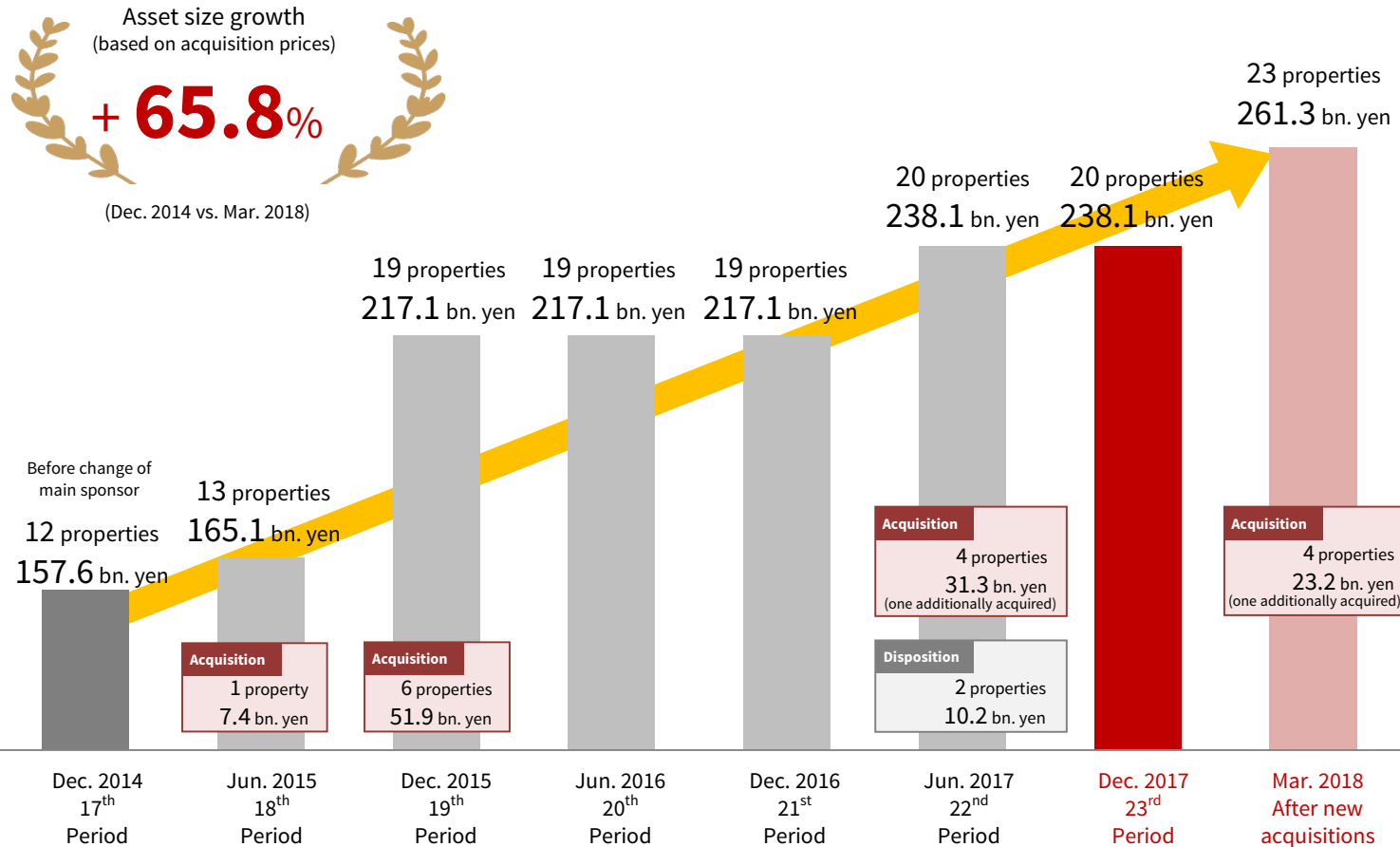
Location	Nishinomiya Hamacho, Chuo-ku, Tokyo
Access	3-minutes' walk from Hamacho Station on the Toei Shinjuku Line, etc.
Completion date	Jan. 29, 2008
Total floor area	8,123.17m ²
Number of tenants/ Occupancy	1/100%



Increase in Asset Size to 261.3 billion yen



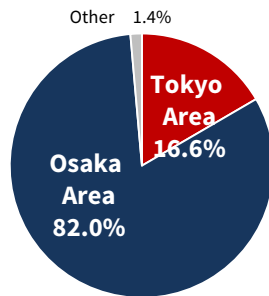
Asset Size History



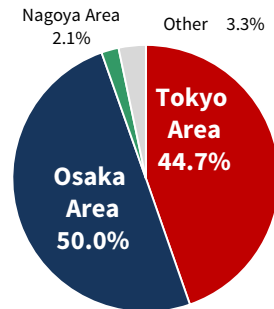
More Diversified Portfolio



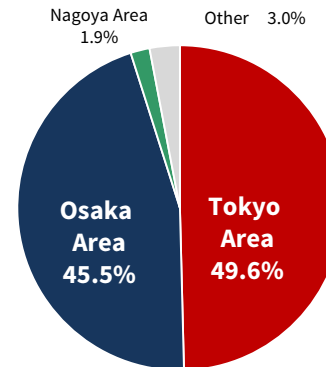
Area diversification



Before change of main sponsor
(End of the fiscal period
ended Dec. 2014)



End of the fiscal period
ended Dec. 2017



Mar. 2018
(After new acquisitions)

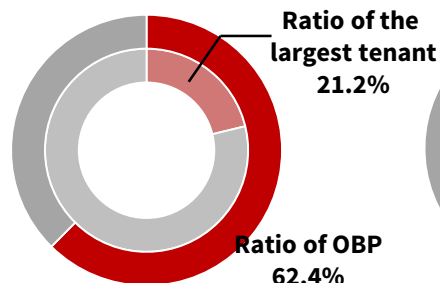
Tokyo Area

16.6% ➔ **49.6%**

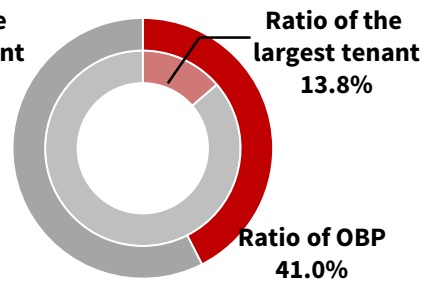
*Based on the acquisition prices



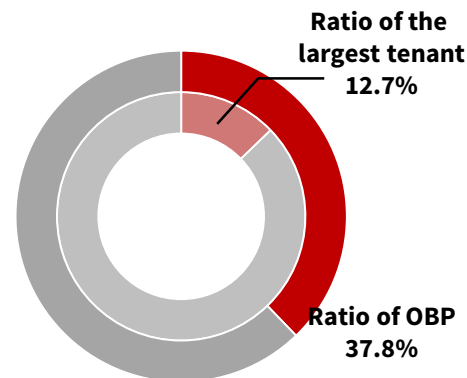
Tenant diversification



Before change of main sponsor
(End of the fiscal period
ended Dec. 2014)



End of the fiscal period
ended Dec. 2017



Mar. 2018
(After new acquisitions)

Ratio of the largest tenant

21.2% ➔ **12.7%**

Ratio of OBP

62.4% ➔ **37.8%**

*Based on the rents and common-area fees

Borrowing 11 billion yen New Long-term Bank Loans



Financial Indicators

	23 rd Period	Feb. 2018 (Estimate)
Ratio of long-term borrowings	100.0%	100%
Ratio of fixed-rate borrowings	77.4%	75.8%
Issuer rating	R&I : A (stable)	Aim for further upgrade



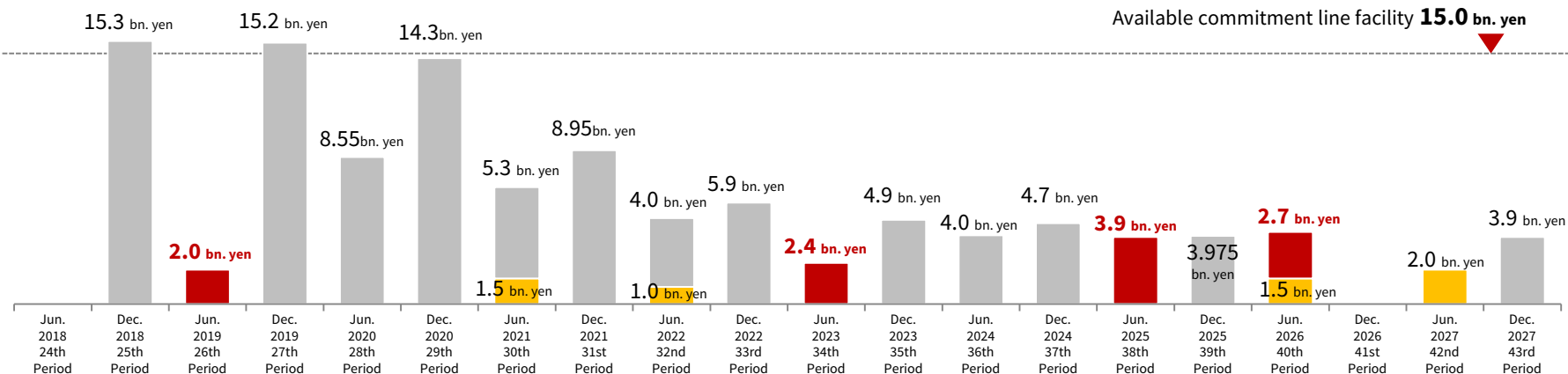
New Borrowings (Feb. 2018)

Lender	Amount	Term	Interest rate
Mizuho Bank, Ltd., Development Bank of Japan, Inc.	2.7 bn. Yen	8 years	Fixed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.2 bn. yen	7 years	Fixed
Aozora Bank, Ltd., The Nishi-Nippon City Bank, Ltd. new The Bank of Fukuoka	2.7 bn. Yen	7 years	Fixed
Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Banking Corporation	2.4 bn. Yen	5 years	Floating
Mizuho Bank, Ltd.	2.0 bn. Yen	1 year	Floating
Total / Weighted average	11.0 bn. yen	5.7 years	



Debt Maturity Ladder

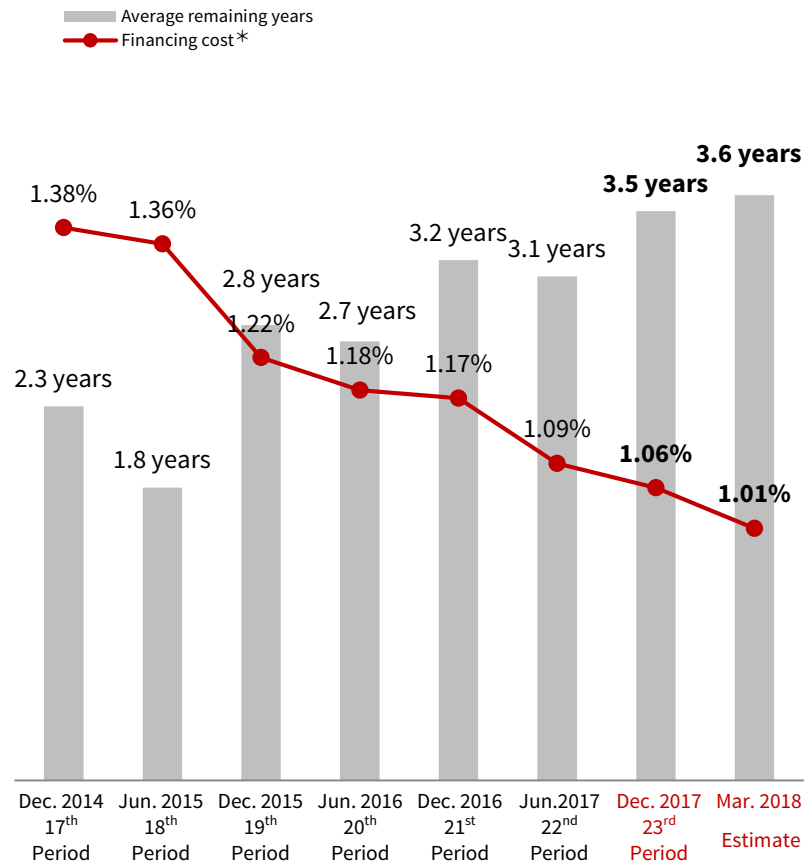
■ New loans in Feb. 2018 ■ Existing loans ■ Invest Co. bonds



Reinforcing Financial Base



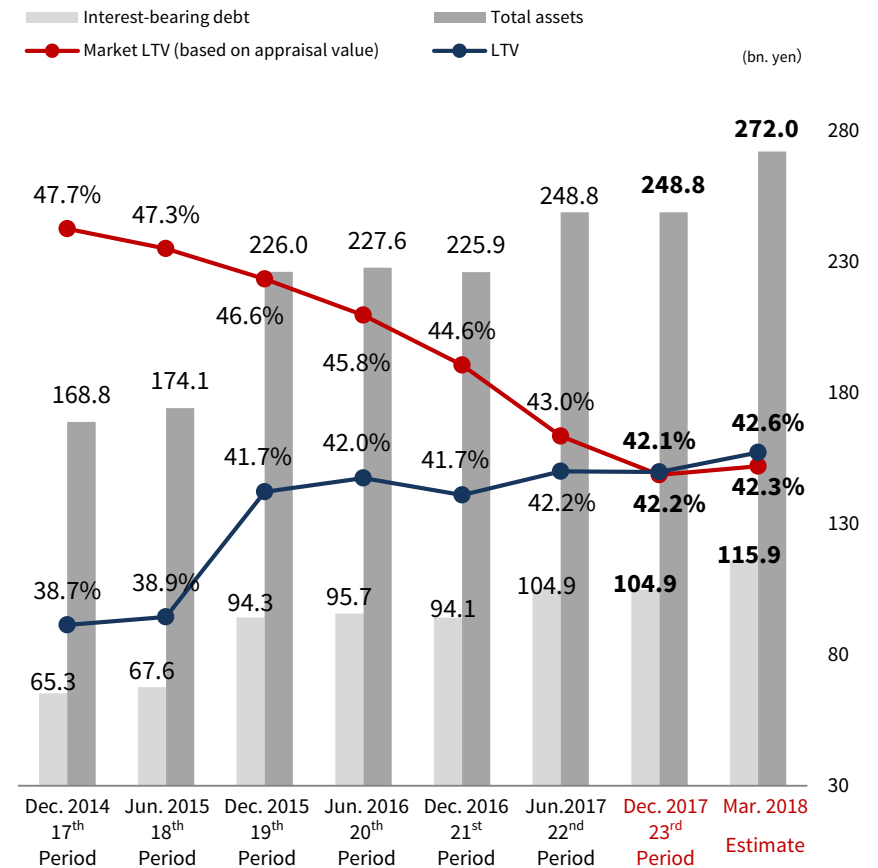
Financing Cost and Average Remaining Years of Debts



*All-in cost including related expenses



Historical LTV



Forecasts for Periods Ending Jun. 2018 and Dec. 2018

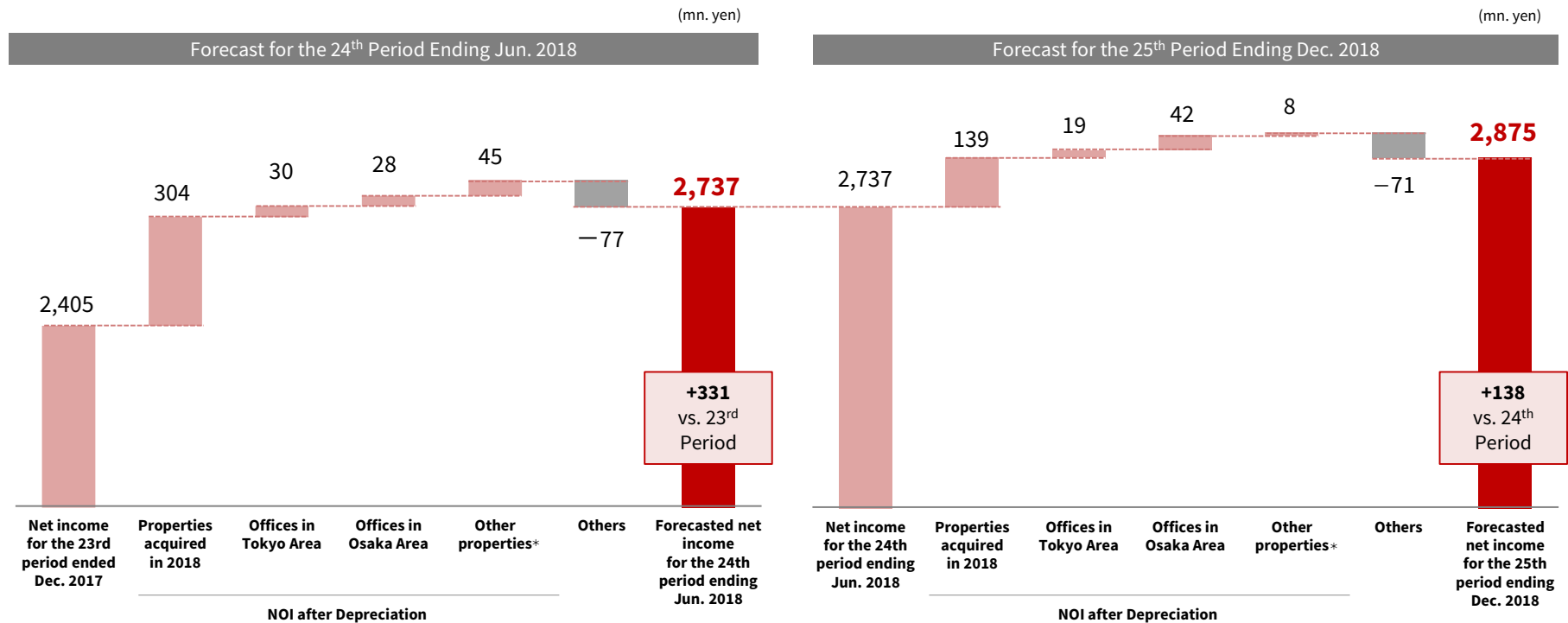
	Forecast for fiscal period ending Jun. 2018 (24 th Period)	Difference from 23 rd Period	Forecast for fiscal period ending Dec. 2018 (25 th Period)	Difference from 24 th Period
Operating revenues	7,888 mn. yen	+3.7%	8,365 mn. yen	+6.0%
Operating income	3,340 mn. yen	+12.0%	3,491 mn. yen	+4.5%
Net income	2,737 mn. yen	+13.8%	2,875 mn. yen	+5.1%
Distribution per unit	1,665 yen	+2.7%	1,750 yen	+5.1%

*Distribution per unit is based on the number of outstanding units of 1,643,125

Profit Growth Generated Both from New and Existing Assets



Breakdown of Forecasted Net Income Changes for the 24th and 25th Fiscal Periods

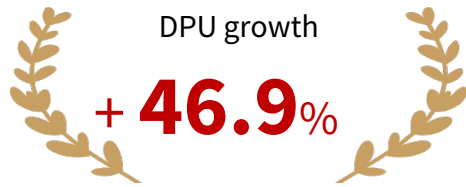


* Including dividends received from SPC backed by Nagoya Lucent Tower

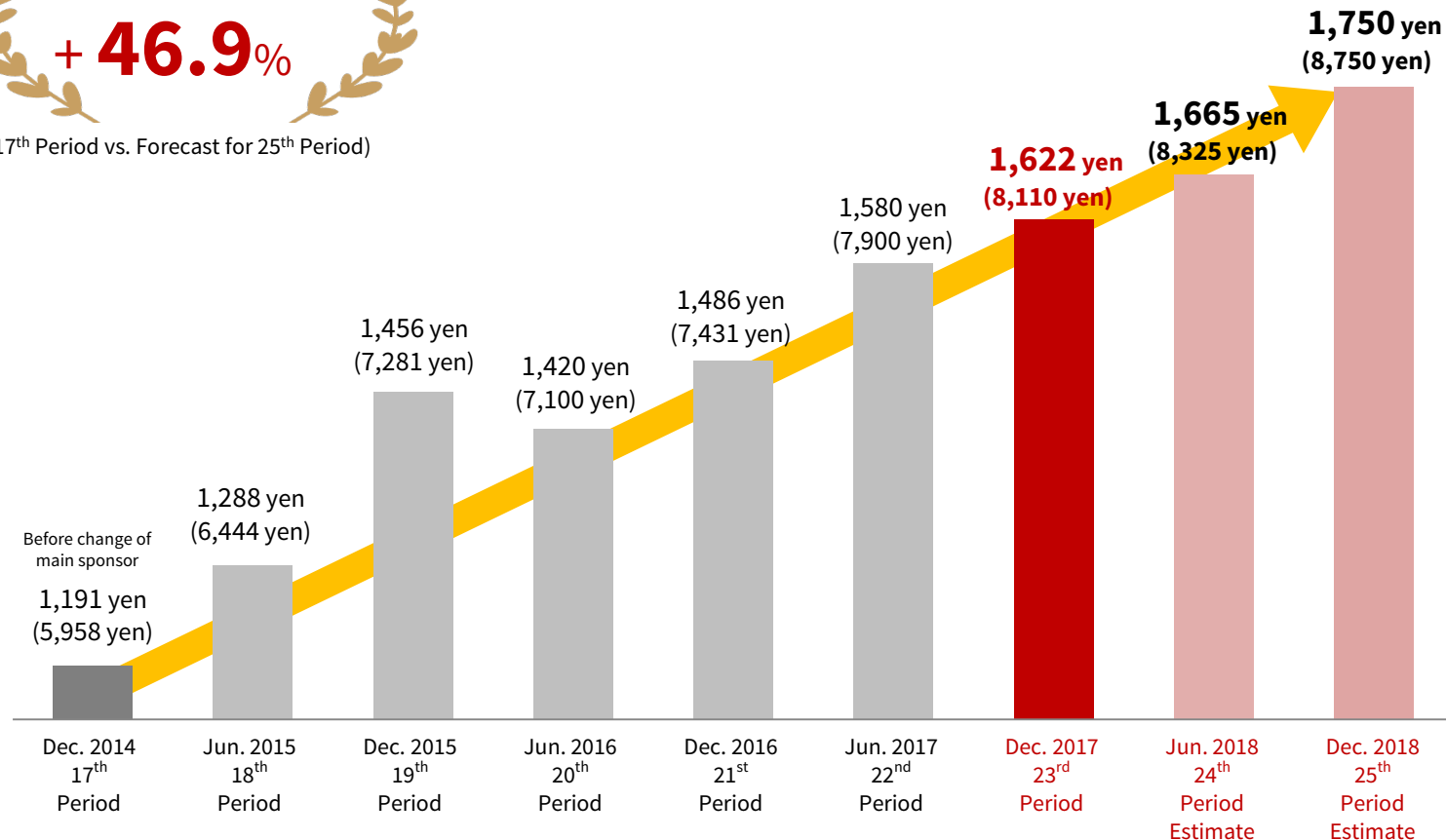
Best-in-class DPU Growth among Office Focused J-REITs



Distribution per unit



(17th Period vs. Forecast for 25th Period)



Memo

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

Disclaimer

- This material may contain forward-looking statements regarding results, plans, managerial targets and strategies. These forward-looking statements are based on current assumptions and preconditions for future events and trends of business circumstances, which are not necessarily correct. Actual results may vary widely from such statements according to various factors
- This material is prepared subject to the accounting principles generally accepted in Japan, unless otherwise stated
- This material is about analyses of financial results of MCUBS MidCity Investment Corporation (the "Investment Corporation"), and is not prepared for the purpose of inducement or invitation for any acquisition of investment securities of the Investment Corporation nor any execution of other financial transaction contracts. Investment decisions are to be made at investors' sole discretion and responsibility
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Asset Management Company: MCUBS MidCity Inc.

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