

Think bold today for a brighter tomorrow.



**23<sup>rd</sup>**  
**Fiscal Period**  
July 1, 2017  
to  
December 31, 2017  
**Business Report**

MCUBS MidCity Investment Corporation

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

**3227**

MCUBS MidCity Investment Corporation

2-7-3 Marunouchi, Chiyoda-ku, Tokyo

## 23rd Fiscal Period Financial Highlights

(July 1, 2017 to December 31, 2017)

Asset Size  
(as of end of 23rd fiscal period)

**238.1 billion yen**  
(acquisition price basis)

Occupancy Rate  
(as of end of 23rd fiscal period)

**97.0 %**

Number of Properties  
(as of end of 23rd fiscal period)

**20**

Distribution per Unit

**8,110 yen**

	22nd Fiscal Period	23rd Fiscal Period	24th Fiscal Period (Forecast)	25th Fiscal Period (Forecast)
Operating Revenue	8,025 million yen	7,610 million yen	7,888 million yen	8,365 million yen
Ordinary Income	2,527 million yen	2,400 million yen	2,738 million yen	2,876 million yen
Net Income	2,527 million yen	2,405 million yen	2,737 million yen	2,875 million yen
Number of Investment Units	296,625 units	296,625 units	1,643,125 units <sup>(Note 1)</sup>	1,643,125 units <sup>(Note 1)</sup>
Distribution per Unit	7,900 yen	8,110 yen	1,665 yen	1,750 yen

(Note 1) A five-for-one investment unit split was implemented with December 31, 2017 as the record date and January 1, 2018 as the effective date. Accordingly, the number of investment units is the sum of 1,483,125 units, which is the total number of investment units issued and outstanding after the split, and 160,000 units, which is the number of new investment units issued in total through the public offering and third-party allotment decided at the meeting of the board of directors held on January 29, 2018.

(Note 2) For the 24th fiscal period (forecast) and 25th fiscal period (forecast), distribution per unit is the amount after the split.

(Note 3) The forecast figures above were calculated as of February 20, 2018 under certain assumptions and may change according to changes of circumstances. Furthermore, the forecasts do not guarantee the full amount of distributions.

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Katsuhiro Tsuchiya

Executive Director  
MCUBS MidCity Investment Corporation

## Leadership Message

Toyota Watanabe

President & CEO & Representative Director  
MCUBS MidCity Inc.

We would like to express our sincere gratitude to our unitholders for their unwavering support.

MCUBS MidCity Investment Corporation (hereafter, “MCUBS MidCity”) recently settled the accounts for the fiscal period ended December 31, 2017 (23rd fiscal period). We would like to extend our heartfelt appreciation to our unitholders as we recognize that this is again thanks to their support.



Katsuhiro Tsuchiya  
Investment Corporation’s Executive Director

## 23rd Fiscal Period Financial Results

The financial results for the 23rd fiscal period of MCUBS MidCity were operating revenue of 7,610 million yen (down 5.2% period-on-period), operating income of 2,983 million yen (down 5.3% period-on-period) and

net income of 2,405 million yen (down 4.8% period-on-period). The absence of the gain on sales of property posted in the previous fiscal period (fiscal period ended June 30, 2017 (22nd fiscal period)) resulted in operating revenue, operating income and net income for the 23rd fiscal period each decreasing in comparison with the 22nd fiscal period. However, putting the impact of this gain on sales of a transient nature aside, there were the full-period contribution of rental income of the four properties that were acquired in the 22nd fiscal period, and increase in the amount of rent of existing properties, ongoing cost reduction efforts and other effects. These, among other factors, resulted in distribution per unit of 8,110 yen (up 2.7% period-on-period). MCUBS MidCity has achieved distribution per unit of a level that exceeds 8,000 yen, which has been the medium-term target, and intends to keep up the continuous growth.



**Toyota Watanabe**  
Asset Management Company's President & CEO

## 23rd Fiscal Period Portfolio Management

Backed in part by the market environment, the 23rd fiscal period was a period of progress in rental business improvement, especially upward rent revisions in the Osaka area. Notably, the contract with Panasonic Corporation—MCUBS MidCity's largest tenant—was renewed in October 2017 for a contract period of 4.5 years, which is longer than the previous contract period of 3 years, and to contain an approximately 7.4% upward rent revision, which is to take effect from July 2018. In addition, new contracts were also executed for a total of 3.5 floors, as at the end of January 2018, out of the 4 floors at Matsushita IMP Bldg. that the Asahi Group used to occupy but had vacated and cancelled the contract and for which we were working to have occupied again.

With the Tokyo area, too, still continuing to be in a favorable market environment, Cube Kawasaki reached 100% occupancy and average unit price of rent was approximately 7% higher for the entire facility than at the time of acquisition three years ago.

## 23rd Fiscal Period Financial Activities

In the 23rd fiscal period, the 13.675 billion yen due for repayment in July 2017 was refinanced for 7.5 years on average, including borrowing for the longest period for MCUBS MidCity of 10 years, and thereby succeeded in extending the average borrowing period. In addition, progress was also made in diversifying lending financial institutions by newly borrowing from two lenders, which were Tokio Marine & Nichido Fire Insurance Co., Ltd. and Nippon Life Insurance Company.

## Growth Going Forward

In January 2018, a capital increase through public offering was announced for the second consecutive year, marking the third capital increase through public offering.

In February and March 2018, the funds procured from this, funds newly borrowed (11.0 billion yen) and cash on hand were used to acquire four properties located in the Tokyo area for a total amount of 23.2 billion yen.

The acquisition expanded the asset size on an acquisition price basis to 261.3 billion yen, up 65.8% in comparison with the end of December 2014 prior to the change in the main sponsor. In addition, the acquisition realized

portfolio diversification, as evident by such factors as the ratio of assets under management in the Tokyo area rising from the 16.6% at the end of the fiscal period ended December 31, 2014 (17th fiscal period) to 49.6%.

In addition, concerning debt financing, The Bank of Fukuoka, Ltd. was newly invited to join the lineup of lending financial institutions, bringing the total to 20 lenders and thereby building an increasingly stable financial base. These actions will result in distribution per unit of 1,750 yen forecast for the fiscal period ending December 31, 2018 (25th fiscal period), making the rate of increase in distribution one of the highest levels among office J-REITs.

## Environmental, Social and Governance (ESG) Actions

For MCUBS MidCity to continually grow, ESG actions are proactively underway as the Mitsubishi Corp.—UBS Realty Group.

As MCUBS MidCity, efforts to reduce electricity consumption by switching to LED lighting at facilities jointly with tenants, regularly holding events at facilities for tenants and people in local communities, and other actions to strengthen and improve tenant satisfaction levels and relationship with people in local communities are underway.

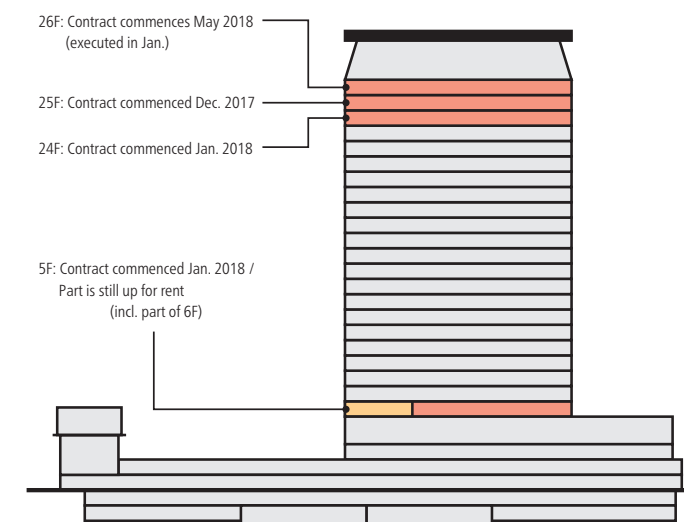
In addition, in GRESB Real Estate, which is a benchmark that is drawing the attention of investors in and out of Japan, the highest rating "Green Star" was received in September 2017 for the second consecutive year (please refer to page 13 for more on environmental certification and assessment).

## For Ongoing Enhancement of Unitholder Value

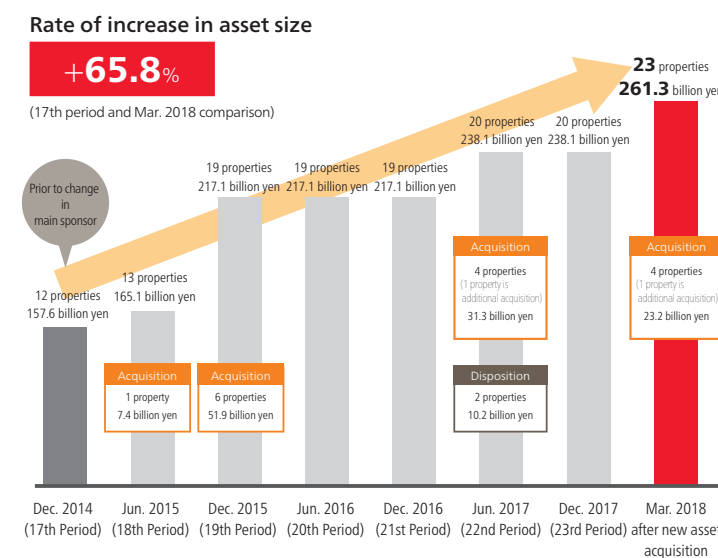
In light of the spread of the Nippon Individual Savings Account (NISA), etc., the decision was made to implement an investment unit split for the purpose of making an environment that enables investors to handle their investment more easily, which would ultimately broaden the investor base and increase the liquidity of the investment units. Based on this decision, a five-for-one investment unit split was implemented with January 1, 2018 as the effective date.

We kindly ask our unitholders for their continued support of both MCUBS MidCity and the Asset Management Company as we continue to perform management aimed at enhancing unitholder value through various measures so as to meet the expectations of unitholders.

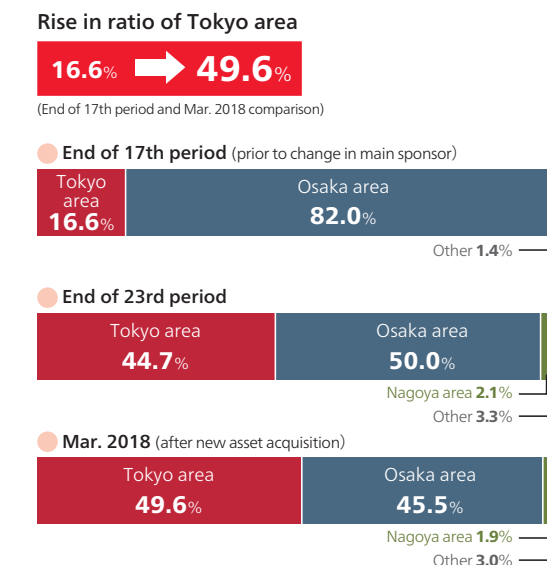
### View of Floors of Matsushita IMP Bldg.



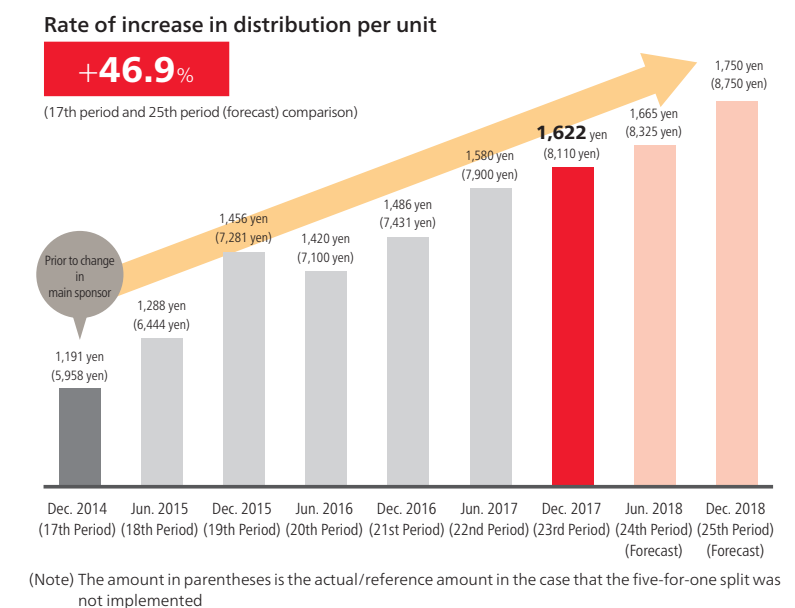
### Asset Size (acquisition price basis)



### Area Diversification (acquisition price basis)



### Distribution per Unit





## 23rd Fiscal Period Financial Performance and Position

The following is the status of debt financing as of December 31, 2017.

### Total Interest-Bearing Liabilities

Short-term loans payable	–	Ratio of long-term interest-bearing liabilities <sup>(Note 2)</sup>	100.0%
Long-term loans payable <sup>(Note 1)</sup>	98,975 million yen	Ratio of fixed interest rate <sup>(Note 2)</sup>	77.4%
Investment corporation bonds	6,000 million yen	LTV (appraisal value basis) <sup>(Note 3)</sup>	42.1%
Total interest-bearing liabilities	104,975 million yen	LTV (book value basis) <sup>(Note 4)</sup>	42.2%

(Note 1) Long-term loans payable includes current portion of long-term loans payable.

(Note 2) Weight-averaged based on the amount of loans. Ratio of fixed interest rate includes those whose interest rates have been practically fixed through interest rate swap agreements.

(Note 3) LTV (appraisal value basis) = Total interest-bearing liabilities ÷ (Total assets + Appraisal value of portfolio properties – Book value of portfolio properties)

(Note 4) LTV (book value basis) = Total interest-bearing liabilities ÷ Total assets

### Refinancing

The 13.675 billion yen due for repayment in July 2017 was refinanced in the entire amount by borrowing funds as follows:

Lender(s)	Amount outstanding	Debt term	Interest Rate	Borrowing Date	Method of Borrowing/ Repayment	Maturity Date
Mizuho Bank, Ltd. Development Bank of Japan Inc. Aozora Bank, Ltd.	3.9 billion yen	10 years	1.04000% (fixed)	July 31, 2017	Unsecured and unguaranteed Lump sum repayment	July 31, 2027
Mizuho Bank, Ltd. Development Bank of Japan Inc.	3.975 billion yen	8 years	0.85630% (fixed)			July 31, 2025
Shinkin Central Bank The Senshu Ikeda Bank, Ltd.	1.9 billion yen	6 years	0.68000% (fixed)			July 31, 2023
Sumitomo Mitsui Banking Corporation	1.0 billion yen	6 years	0.68792% (fixed)			
Sumitomo Mitsui Trust Bank, Limited Tokio Marine & Nichido Fire Insurance Co., Ltd. Nippon Life Insurance Company	2.9 billion yen	5 years	0.52420% (fixed)			July 29, 2022

### Breakdown of Financing by Bank

Lender	Balance (million yen)	Share	Lender	Balance (million yen)	Share
Mizuho Bank, Ltd.	17,600	17.8%	The Nishi-Nippon City Bank, Ltd.	2,100	2.1%
Sumitomo Mitsui Trust Bank, Limited	12,800	12.9%	Mizuho Trust & Banking Co., Ltd.	1,300	1.3%
Sumitomo Mitsui Banking Corporation	12,800	12.9%	The Hyakugo Bank, Ltd.	1,150	1.2%
Development Bank of Japan Inc.	12,325	12.5%	The Minato Bank, Ltd.	800	0.8%
Aozora Bank, Ltd.	10,050	10.2%	The Nanto Bank, Ltd.	500	0.5%
Resona Bank, Limited	7,500	7.6%	The Hiroshima Bank, Ltd.	500	0.5%
Mitsubishi UFJ Trust and Banking Corporation	6,300	6.4%	Sony Bank Inc.	500	0.5%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,500	4.5%	Tokio Marine & Nichido Fire Insurance Co., Ltd. <b>NEW</b>	500	0.5%
Shinkin Central Bank	4,200	4.2%	Nippon Life Insurance Company <b>NEW</b>	500	0.5%
The Senshu Ikeda Bank, Ltd.	3,050	3.1%			
			Total	98,975	100.0%

## 24th Fiscal Period Actions

Resolution on additional issuance of new investment units was passed in January 2018.

### Overview of 3rd Capital Increase through Public Offering

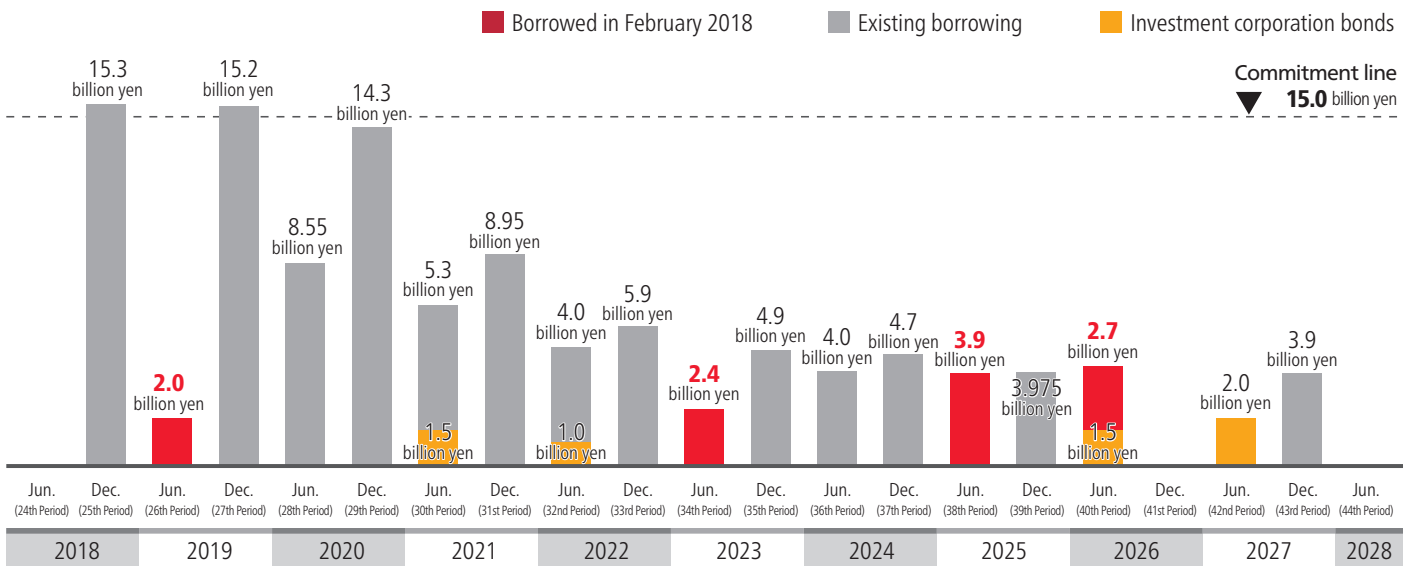
Issuance Resolution Date	January 29, 2018
Total Amount Procured (including the third-party allotment)	11,304 million yen
Number of Investment Units Offered (including the third-party allotment)	160,000 units
Number of Investment Units Issued and Outstanding (before the issuance)	1,483,125 units
Number of Investment Units Issued and Outstanding (after the issuance) (as of March 9, 2018 including the third-party allotment)	1,643,125 units

### New Borrowing

11.0 billion yen was borrowed in February 2018 as part of the funds for new asset acquisition.

Lender(s)	Amount outstanding	Debt term	Interest Rate	Borrowing Date	Method of Borrowing/ Repayment	Maturity Date
Mizuho Bank, Ltd. Development Bank of Japan Inc.	2.7 billion yen	8 years	0.80000% (fixed)	February 28, 2018	Unsecured and unguaranteed Lump sum repayment	February 27, 2026
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.2 billion yen	7 years	0.64000% (fixed)			February 28, 2025
Aozora Bank, Ltd. The Nishi-Nippon City Bank, Ltd. The Bank of Fukuoka, Ltd. <b>NEW</b>	2.7 billion yen	7 years	0.71880% (fixed)			February 28, 2023
Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation	2.4 billion yen	5 years	Base interest rate (JBA 3-months JPY TIBOR) + 0.30% (floating)			
Mizuho Bank, Ltd.	2.0 billion yen	1 year	Base interest rate (JBA 1-month JPY TIBOR) + 0.17% (floating)			February 28, 2019

### Diversification of Debt Maturities (as of February 2018)



## 24th Fiscal Period Actions

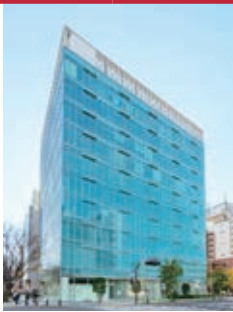
### Newly-Acquired Assets

MCUBS MidCity acquired the following four properties using the funds procured from the third capital increase through public offering and bank loans.

	Acquisition Price	Appraisal Value (Unrealized Gain Ratio)	NOI Yield	NOI Yield after Depreciation
Total/Average of the 4 Properties	23,205 million yen	24,810 million yen (+6.9%)	4.3%	3.7%

#### SSP Bldg.

Acquisition Price	9,200 million yen
Appraisal Value	10,200 million yen
Total Floor Space	8,123.17 m <sup>2</sup>
Completion Date	January 2008
Acquisition Date	March 1, 2018
Location	2-12-4 Nihombashi Hamacho, Chuo-ku, Tokyo
Access	Accessible from 6 stations on 5 lines, incl. 3 min. walk from Hamacho Station on Toei Shinjuku Line



#### Yoshiyasu Kanda Bldg.

Acquisition Price	4,000 million yen
Appraisal Value	4,260 million yen
Total Floor Space	4,554.00 m <sup>2</sup>
Completion Date	May 1989, August 2008
Acquisition Date	February 16, 2018
Location	2-1-15 Iwamotocho, Chiyoda-ku, Tokyo
Access	Accessible from 4 stations on 7 lines, incl. 4 min. walk from Kodemmacho Station on Tokyo Metro Hibiya Line



#### M-City Akasaka 1-chome Bldg.

Acquisition Price	4,205 million yen
Appraisal Value	4,280 million yen
Total Floor Space	3,308.20 m <sup>2</sup>
Completion Date	March, 1985
Acquisition Date	March 1, 2018
Location	1-11-28 Akasaka, Minato-ku, Tokyo
Access	1 min. walk from Tameike-sanno Station on Tokyo Metro Ginza Line and Namboku Line



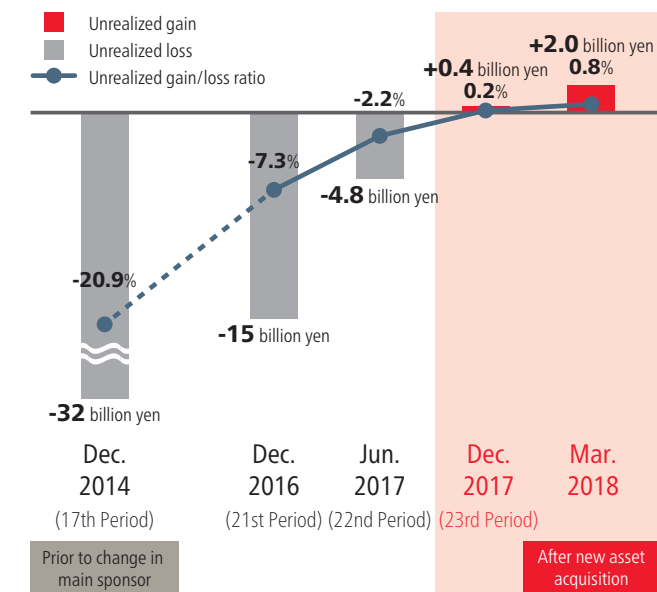
#### USC Bldg.

(additional acquisition of approx. 54% quasi co-ownership interest)

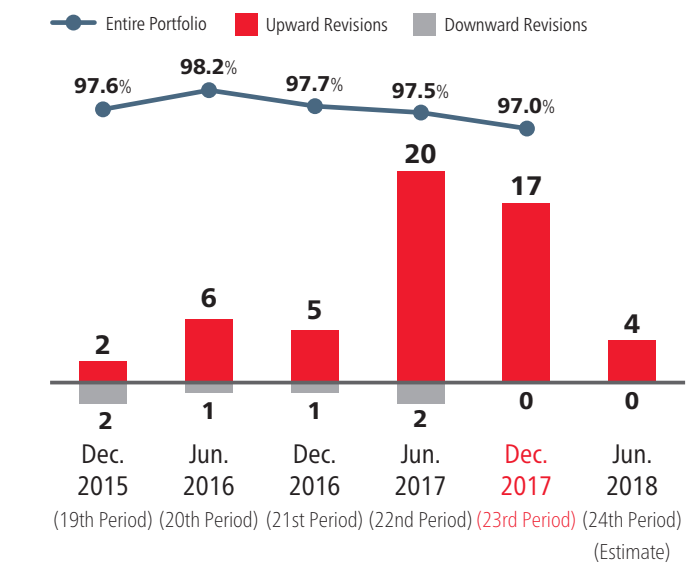
Acquisition Price	5,800 million yen
Appraisal Value	6,070 million yen
Total Floor Space	18,506.16 m <sup>2</sup>
Completion Date	January 1990, January 2007
Acquisition Date	February 16, 2018
Location	4-11-38 Toyo, Koto-ku, Tokyo
Access	7 min. walk from Toyochi Station on Tokyo Metro Tozai Line



### Elimination of Portfolio's Unrealized Loss



### Occupancy Rate and Number of Rent Revisions of Lease Agreements



(Note) The number of rent revisions estimated for the fiscal period ending June 30, 2018 (24th fiscal period) is the number of determined rent revisions as at the end of December 2018.

## Portfolio Overview / Portfolio Diversification

The following is the status of MCUBS MidCity's portfolio as of December 31, 2017, with the addition of newly-acquired assets.

### Portfolio Overview

Investment Category	Investment Area (Note 1)	Property Name	Location	Acquisition Price (million yen)	Investment Ratio (%)	Acquisition Date	Leasable Space (m <sup>2</sup> ) (Note 2)	Occupancy Rate (%) (Note 3)
Office Properties	Three major metropolitan areas	Sumitomo Fudosan Ueno Bldg. No. 6	Taito-ku, Tokyo	7,460	2.9	May 2015	6,858.16	100.0
		G-Square Shibuya Dogenzaka	Shibuya-ku, Tokyo	12,220	4.7	Aug. 2015	5,011.74	100.0
		Shibuya Sakuragaoka Square	Shibuya-ku, Tokyo	17,130	6.6	Aug. 2015 Feb. 2017	6,379.66	100.0
		Yokohama Creation Square	Kanagawa-ku, Yokohama	7,080	2.7	Aug. 2015	12,720.94	87.4
		Cube Kawasaki	Kawasaki-ku, Kawasaki	20,050	7.7	Aug. 2015	24,494.06	100.0
		Higashi-Nihombashi Green Bldg.	Chuo-ku, Tokyo	2,705	1.0	Dec. 2015	3,254.77	100.0
		Sasazuka Center Bldg.	Shibuya-ku, Tokyo	8,700	3.3	Mar. 2017	8,219.90	85.6
		USC Bldg. (Note 4)	Koto-ku, Tokyo	5,000	1.9	Apr. 2017	5,781.98	100.0
		Twin 21	Chuo-ku, Osaka	68,700	26.3	Aug. 2006	82,304.84	97.8
		Matsushita IMP Bldg.	Chuo-ku, Osaka	24,600	9.4	Aug. 2006	37,299.95	86.7
		MID REIT Kyobashi Bldg.	Miyakojima-ku, Osaka	2,300	0.9	Aug. 2006	4,833.88	100.0
		MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	1.3	Apr. 2007	4,277.63	100.0
		Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	4.1	Apr. 2008	10,189.49	100.0
		MID Nishihommachi Bldg.	Nishi-ku, Osaka	3,550	1.4	Oct. 2008	3,881.74	100.0
		Higobashi MID Bldg.	Nishi-ku, Osaka	3,000	1.1	Jun. 2013	4,655.57	96.5
	Nagoya Lucent Tower (silent partnership interest) (Note 5)	Nishi-ku, Nagoya	4,919	1.9	Aug. 2015	–	–	
	Others	Sendai Capital Tower	Aoba-ku, Sendai-shi	5,500	2.1	Feb. 2017	12,999.51	95.2
Others	Three major metropolitan areas	Subtotal (17 properties)		206,984	79.2		233,163.82	95.6
		AEON MALL Tsudanuma	Narashino-shi, Chiba	26,100	10.0	Aug. 2006	101,210.44	100.0
		Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	1.1	Aug. 2006	9,586.26	100.0
		Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	0.9	Sep. 2013	5,554.91	100.0
			Subtotal (3 properties)		31,160	11.9		116,351.61
Total at end of Dec. 2017 (20 properties)				238,144	91.1		349,515.43	97.0
Office Properties	Three major metropolitan areas	USC Bldg. (additional acquisition) (Note 4)	Koto-ku, Tokyo	5,800	2.2	Feb. 2018	6,707.10	100.0
		Yoshiyasu Kanda Bldg.	Chiyoda-ku, Tokyo	4,000	1.5	Feb. 2018	3,149.30	100.0
		SSP Bldg.	Chuo-ku, Tokyo	9,200	3.5	Mar. 2018	6,123.81	100.0
		M-City Akasaka 1-chome Bldg.	Minato-ku, Tokyo	4,205	1.6	Mar. 2018	2,636.62	100.0
	Total of newly-acquired properties (4 properties)				23,205	8.9		18,616.83
Total at end of Dec. 2017 + Total of newly-acquired properties (23 properties)				261,349	100.0		368,132.26	97.2

(Note 1) "Three major metropolitan areas" under "Investment Area" indicates Tokyo area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya area (Aichi Prefecture), and "Others" under "Investment Area" indicates the government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas. The same shall apply hereinafter.

(Note 2) "Leasable Space" refers to space (space of the rental units only, excluding storage, halls, parking and other space, but including shared or common space and parking space of Konami Sports Club Kyobashi and AEON MALL Tsudanuma, in which entire buildings are leased, as well as shared or common space of MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leasable as of December 31, 2017. For quasi co-owned properties, the leasable space is calculated by multiplying total space of the property by quasi co-ownership ratio of the trust beneficiary interest.

(Note 3) "Occupancy Rate" is presented as percentage figures, which are obtained by dividing the leased space as of December 31, 2017 by the leasable space.

(Note 4) USC Bldg. is approximately 46% quasi co-ownership interest of trust beneficiary interest in real estate acquired in April 2017 followed by the remaining approximately 54% in February 2018 to total 100%.

(Note 5) Nagoya Lucent Tower is silent partnership interest with R40 GK as the operator (Silent Partnership Interest B in R40 GK; equity interest: 40%), backed by the trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower as the asset in trust, acquired on August 3, 2015.

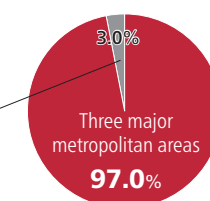
(Note 6) Amounts less than one million yen are rounded down.

### Portfolio Diversification

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

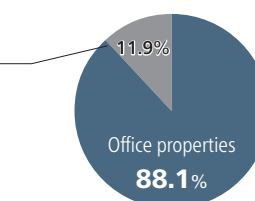
#### By Area

Government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas



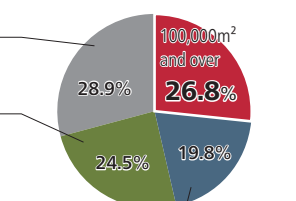
#### By Asset Type

Real estate other than office properties



#### By Asset Size (Note 2) (Note 3)

Under 10,000m<sup>2</sup>  
10,000m<sup>2</sup> and over Under 50,000m<sup>2</sup>  
50,000m<sup>2</sup> and over Under 100,000m<sup>2</sup>















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

(Note 2) "By Asset Size" is classified using data for the total floor space of the buildings as recorded in land registers including attached buildings.

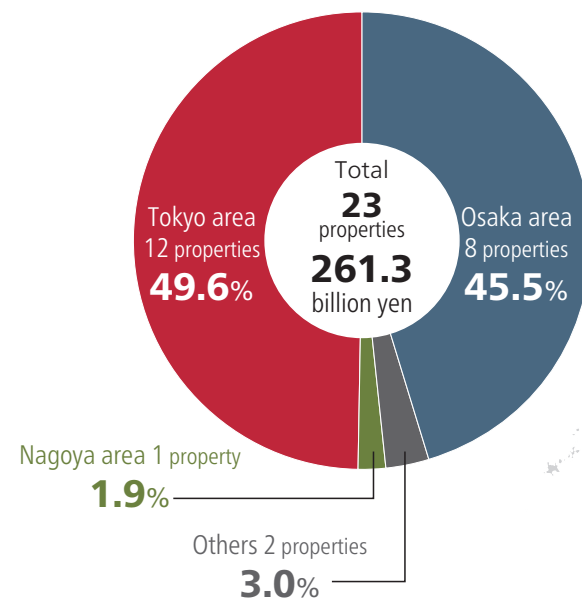
(Note 3) Excluding silent partnership interests.








## Tokyo area

<b>Sumitomo Fudosan Ueno Bldg. No. 6</b> Taito-ku, Tokyo 	<b>G-Square Shibuya Dogenzaka</b> Shibuya-ku, Tokyo 	<b>Shibuya Sakuragaoka Square</b> Shibuya-ku, Tokyo 	<b>Higashi-Nihombashi Green Bldg.</b> Chuo-ku, Tokyo 	<b>Yokohama Creation Square</b> Kanagawa-ku, Yokohama-shi 
<b>Cube Kawasaki</b> Kawasaki-ku, Kawasaki-shi 	<b>Sasazuka Center Bldg.</b> Shibuya-ku, Tokyo 	<b>USC Bldg.</b> (existing: approx. 46% quasi co-ownership interest) Koto-ku, Tokyo  24th fiscal period additional acquisition asset (Approx. 54% quasi co-ownership interest)	<b>Yoshiyasu Kanda Bldg.</b> Chiyoda-ku, Tokyo  24th fiscal period acquisition asset	<b>SSP Bldg.</b> Chuo-ku, Tokyo  24th fiscal period acquisition asset
<b>M-City Akasaka 1-chome Bldg.</b> Minato-ku, Tokyo  24th fiscal period acquisition asset	<b>AEON MALL Tsudanuma</b> Narashino-shi, Chiba 			

■ By Area (acquisition price basis)



## Osaka area

<b>Twin 21</b> Chuo-ku, Osaka 	<b>Matsushita IMP Bldg.</b> Chuo-ku, Osaka 	<b>Kitahama MID Bldg.</b> Chuo-ku, Osaka 	<b>Higobashi MID Bldg.</b> Nishi-ku, Osaka 	<b>MID REIT Kyobashi Bldg.</b> Miyakojima-ku, Osaka 
<b>MID Imabashi Bldg.</b> Chuo-ku, Osaka 	<b>MID Nishihommachi Bldg.</b> Nishi-ku, Osaka 	<b>Konami Sports Club Kyobashi</b> Miyakojima-ku, Osaka 		

## Nagoya area

**Nagoya Lucent Tower**  
 (silent partnership interest)  
 Nishi-ku, Nagoya-shi



## Others

**Dormy Inn Hakata Gion**  
 Hakata-ku, Fukuoka-shi



**Sendai Capital Tower**  
 Aoba-ku, Sendai





## Introduction of MCUBS MidCity

MCUBS MidCity Investment Corporation, whose asset management is performed by MCUBS MidCity Inc., is an investment corporation with investment focused on office properties in the three major metropolitan areas. Mitsubishi Corp. - UBS Realty Inc. is the major shareholder of MCUBS MidCity Inc. and boasts an extensive track record performing management for Japan Retail Fund Investment Corporation (REIT specializing in retail properties) and Industrial & Infrastructure Fund Investment Corporation (REIT specializing in industrial and infrastructure properties).

Targeted area: Investment focused on three major metropolitan areas (Tokyo area, Osaka area and Nagoya area)

Three major metropolitan areas (Tokyo area, Osaka area and Nagoya area)

70 % or more

Others

30 % or more

Targeted asset type (Note 1):  
Investment focused on office properties

Office

70 % or more

Others (Note 2)

30 % or more

(Note 1) When properties have multiple uses, we determine which type they belong to based on what the majority of leasable floor space for the real-estate-related assets of the portfolio as a whole are used for, and the total acquisition cost of the real-estate-related asset is included in the acquisition cost of the type.

(Note 2) New investments shall be made in real estate primarily used as service apartments or hotels, and no new acquisition shall be made as to retail properties and industrial properties.

Website of MCUBS MidCity Investment Corporation <http://www.midcity-reit.com/en/>

The website of MCUBS MidCity Investment Corporation offers a service to be informed of the latest IR information via e-mail.

In addition, the website is designed to enhance convenience in obtaining the necessary information and also enrich content sought by investors.



## Assessment and Certification from External Organizations

Nikko Investor Relations Co., Ltd.'s



"2017 Website Quality Ranking Survey among All Listed Companies in Japan" (among 3,713 listed companies)

Overall ranking: 156th (in 2016) ➡ 42nd

REIT ranking: 5th (in 2016) ➡ 2nd

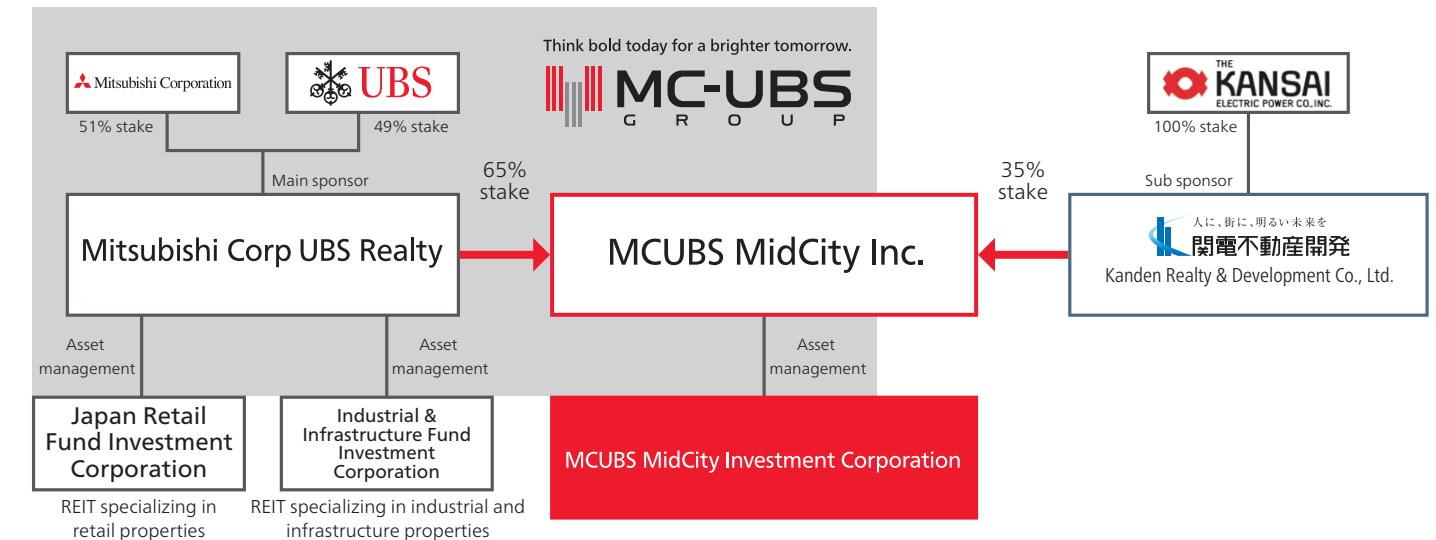


Daiwa Investor Relations Co. Ltd.'s

"Internet IR Commendation Award 2016" (among 3,698 listed companies)

Commendation Award (65th place overall)

## Correlation Chart of MCUBS MidCity

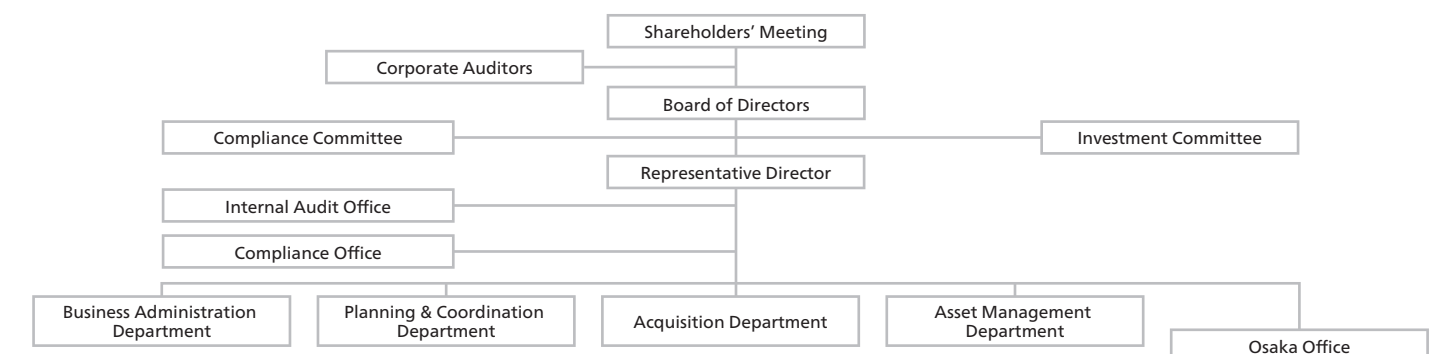


## Overview of Asset Management Company

Name	MCUBS MidCity, Inc.
Location	2-7-3 Marunouchi, Chiyoda-ku, Tokyo
Paid-in capital	210 million yen
Shareholder	Mitsubishi Corp. - UBS Realty Inc.: 65% Kanden Realty & Development Co., Ltd.: 35%
Representative	Toyota Watanabe President & CEO & Representative Director
Business Description	Investment management business
Company History	September 2005: MID REIT Management Co., Ltd. established
	October 2005: Acquired real estate brokerage license (License Number: 1-51806, Osaka Governor)
	February 2006: Obtained grant for agency by discretionary trust, based on the Building Lots and Buildings Transaction Business Law (Grant Number: 50, Minister of Land, Infrastructure, Transport and Tourism)
	May 2006: Obtained grant for asset management under the Investment Trust and Investment Corporation Law (Grant Number: 64, Prime Minister of Japan)
	September 2007: Registered as an investment management business under the Financial Instruments and Exchange Law of Japan (the "FIE Law") (Registration No. 43 [FIE], Director-General, Kinki Local Finance Bureau) <sup>(Note)</sup>
	October 2010: Updated real estate brokerage license (License Number: 2-51806, Osaka Governor)
	April 2015: The asset management company name was changed from MID REIT Management Co., Ltd. to MCUBS MidCity Inc.
	July 2015: Acquired real estate brokerage license (License Number: 1-8835, Minister of Land, Infrastructure, Transport and Tourism)
	October 2015: Relocated head office to 2-7-3 Marunouchi, Chiyoda-ku, Tokyo.
	December 2015: Registered as an investment management business under the FIE Law (registration change upon head office relocation) (Registration No. 2888 [FIE], Director-General, Kanto Local Finance Bureau)

(Note) Subject to the stipulation under Article 159, Paragraph 1 of the Supplementary Provisions of the Law Concerning the Amendments of the Securities and Exchange Law and Other Financial Laws, the Asset Management Company is deemed to have been registered in accordance with Article 29 of the FIE Law, effective as of September 30, 2007, the date of the FIE Law implementation.

## Organizational Chart (as of December 31, 2017)



MCUBS MidCity’s Sustainability

MCUBS MidCity, together with its asset management company, MCUBS MidCity Inc., shares the sustainability objectives, and continues to embed sustainability into our business. MCUBS MidCity conducts its investment and operational activities in accordance with the “Responsible Property Investment Policy,” a policy set out by the asset manager.

Actions of MCUBS MidCity

Communication

We will contribute further to create a sustainable society through communication with stakeholders and incorporating their views into asset management.

Contribution to Society

We are working to strengthen and improve relationship with people in local communities through measures against disaster and other social contribution activities.

Environment

We are environmentally conscious and work to reduce environmental burdens by implementing environmental/energy-saving measures and improving energy use at our real estate properties.

Assignment with Environmental Certification and Assessment

GRESB (Global Real Estate Sustainability Benchmark)

An organization established primarily by a group of major European pension funds with the aim to enhance unitholder value through applying consideration for the environment, society and governance to also real estate investment. We participated for the first time in the GRESB Real Estate Assessment 2016 and received the highest rating “Green Star” as well as a four-star rating in the GRESB Rating, which is a five-star scale, comparative assessment based rating system. In 2017, we participated for the second consecutive year and received the same ratings as 2016.



Building-Housing Energy-efficiency Labeling System (BELS) Certification

The Ministry of Land, Infrastructure, Transport and Tourism’s public evaluation system for evaluating the energy conservation performance of non-residential buildings. The energy conservation performance evaluation result is represented by a number of stars (five-star scale from one star “★” to five stars “★★★★★”). We received our first BELS certification in December 2016 for Kitahama MID Bldg., G-Square Shibuya Dogenzaka and Higobashi MID Bldg.



DBJ Green Building Certification

A system for Development Bank of Japan Inc. (DBJ) to certify real estate with high environmental and social awareness (“Green Building”) based on five ranks of certification (five-star scale from one star “★” to five stars “★★★★★”) using a comprehensive scoring model developed independently by DBJ. Twin 21, Matsushita IMP Bldg., Kitahama MID Bldg. and Higobashi MID Bldg. are certified portfolio properties. All of these properties were upgraded from three stars to four stars in the 2016 assessment.



CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Real Estate Certification

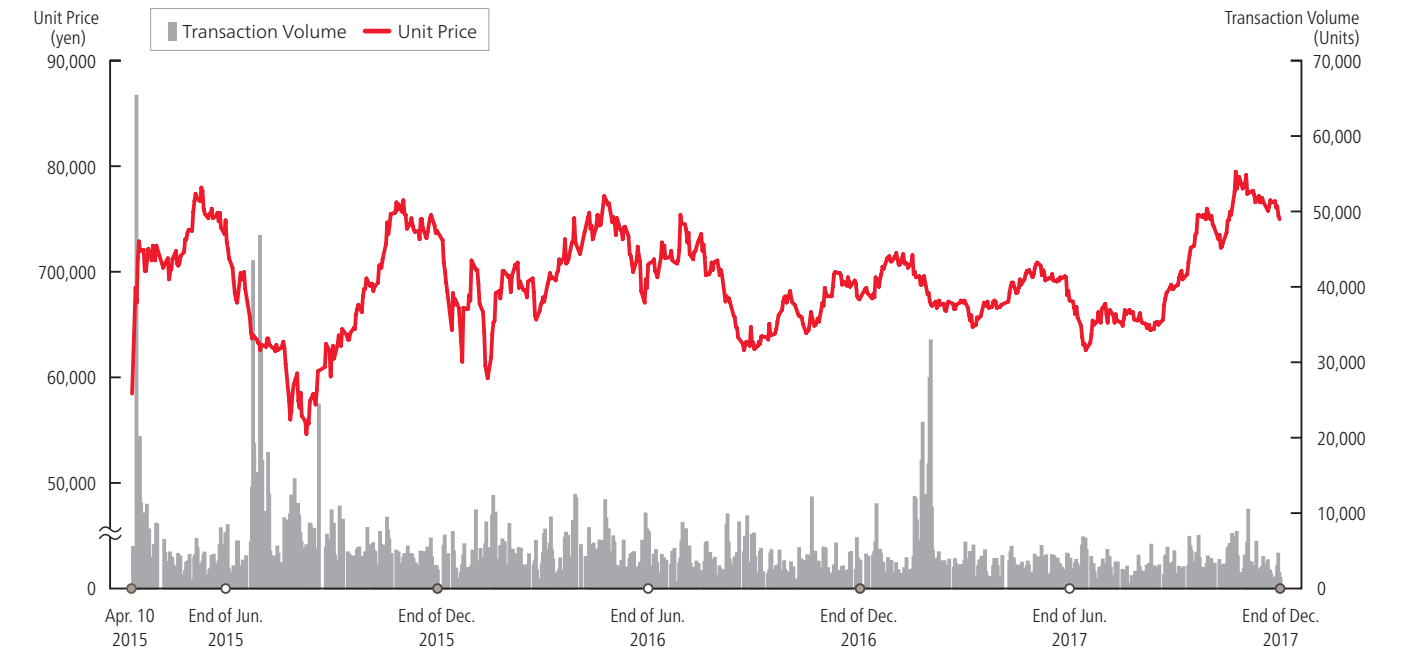
A tool for assessing and rating the environmental performance of buildings and built environment. It is a comprehensive assessment of not only consideration for the environment, such as use of energy-conserving and low-environmental-load resources and materials, but also consideration for the indoor and outdoor built environment and other built environment quality. G-Square Shibuya Dogenzaka and Higobashi MID Bldg. are ranked A for built environment efficiency. (Higobashi MID Bldg. is under the local government reporting system.)



Please refer to the website of MCUBS MidCity for more details regarding sustainability (<http://www.midcity-reit.com/en/sustainability>)

Unit Price Performance

The following is the history of investment unit prices (closing prices) and transaction volumes of MCUBS MidCity on the Tokyo Stock Exchange from April 10, 2015 to December 31, 2017.



(Note) Investment unit price is one-fifths of the actual price and transaction volume is the actual volume multiplied by five to reflect the five-for-one split of the investment units of MCUBS MidCity implemented with December 31, 2017 as the effective date.

Investment Unit Split

A five-for-one investment unit split was implemented with December 31, 2017 as the record date and January 1, 2018 as the effective date.

Number of Investment Units Issued and Outstanding Before the Split	296,625 units
Number of Investment Units Increased by the Split	1,186,500 units
Number of Investment Units Issued and Outstanding After the Split	1,483,125 units <sup>(Note 1)</sup>
Total Number of Investment Units Authorized After the Split	10,000,000 units <sup>(Note 2)</sup>

(Note 1) The number of investment units of the additional issuance of new investment units announced in January 2018 is not included. The number of investment units after the additional issuance is 1,643,125 units.  
 (Note 2) The Articles of Incorporation was amended on the same date as the effective date of the investment unit split (January 1, 2018) to increase the total number of investment units authorized of MCUBS MidCity in accordance with the proportion of the investment unit split.

Breakdown of Unitholders

The following is the breakdown of MCUBS MidCity’s unitholders as of December 31, 2017.

