

Translation

MCUBS MIDCITY INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

February 14, 2019

Name of issuer: MUCBS MidCity Investment Corporation
("the Investment Corporation")
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3227
Website: <https://www.midcity-reit.com/>
Representative of the Investment Corporation: Katsuhiko Tsuchiya, Executive Director
Name of asset manager: MCUBS MidCity Inc.
Representative of the asset manager: Katsura Matsuo, President & CEO & Representative Director
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Scheduled date for filing of securities report: March 28, 2019
Scheduled date for distributions payment: March 18, 2019
Supplementary materials for financial results: Otherwise prepared
Analyst meeting: Scheduled

(Amounts of less than one million yen are rounded down)

1. Financial results for the six months ended December 31, 2018 (July 1, 2018 to December 31, 2018)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended								
December 31, 2018	10,798	36.3	5,327	58.2	4,621	66.9	4,620	66.9
June 30, 2018	7,924	4.1	3,368	12.9	2,769	15.3	2,767	15.1

	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	Yen	%	%	%
For the six months ended				
December 31, 2018	2,812	3.3	1.7	42.8
June 30, 2018	1,727	2.1	1.1	34.9

(2) Distributions

	Distributions (excluding distributions in excess of profit)		Distributions in excess of profit		Payout ratio	Ratio of distributions to net assets
	Per unit	Total	Per unit	Total		
For the six months ended	Yen	Millions of yen	Yen	Millions of yen	%	%
December 31, 2018	2,545	4,181	0	0	90.5	3.0
June 30, 2018	1,684	2,767	0	0	100.0	2.0

Note 1: Total distributions for the six months ended December 31, 2018 consist of unappropriated retained earnings at the end of period after transferring ¥439 million to reserve for reduction entry of property.

Note 2: Payout ratio for the six months ended June 30, 2018 is calculated by following formula because new investment units were issued.

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

Payout ratio for the six months ended December 31, 2018 is calculated by following formula.

Payout ratio = Distribution per unit ÷ net income per unit × 100

(3) Financial position

	Total assets	Net assets	Ratio of net assets to total assets	Net asset value per unit
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2018	280,790	141,257	50.3	85,969
June 30, 2018	272,674	139,404	51.1	84,840

(4) Cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
For the six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2018	20,665	(25,007)	4,100	16,277
June 30, 2018	3,691	(23,114)	19,828	16,518

2. Outlook for the six months ending June 30, 2019 (January 1, 2019 to June 30, 2019) and December 31, 2019 (July 1, 2019 to December 31, 2019)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	10,252	△5.1	5,547	4.1	4,895	5.9	4,894	5.9
December 31, 2019	8,174	△20.3	3,687	△33.5	3,074	△37.2	3,073	△37.2

	Net income per unit	Distributions per unit (excluding distributions in excess of profit)	Distributions in excess of profit per unit
For the six months ending	Yen	Yen	Yen
June 30, 2019	2,978	2,695	0
December 31, 2019	1,870	1,870	0

Note: Distributions per unit differ from net income per unit because the Investment Corporation will reserve ¥464 million for the six months ending June 30, 2019 from distributable profit.

3. Others

(1) Changes in accounting policies and accounting estimates or restatements

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of units issued

Number of units issued at end of period (including treasury units):

As of December 31, 2018 1,643,125 units

As of June 30, 2018 1,643,125 units

Number of treasury units at end of period:

As of December 31, 2018 0 unit

As of June 30, 2018 0 unit

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 26.

Forward-looking Statements and Other Notes

Forward-looking statements in this presentation are based on the information currently available and certain assumptions we believe reasonable. Actual results may differ materially from the forward-looking statements in this presentation due to various factors. Furthermore, those statements do not guarantee the amount of future distributions.

For further information and assumptions regarding the forward-looking statements, please refer to “2. Management policy and results of operation, (2) Results of operation, ② Outlook of next fiscal period, (b) Outlook of business” on page 7.

1. Summary of related corporations of the Investment Corporation

Disclosure is omitted as there are no significant changes from the “Structure of the investment corporation” presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on September 27, 2018).

2. Management policy and results of operation

(1) Management policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Target” and “Distribution Policy” presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on September 27, 2018).

(2) Results of operation

① Overview of fiscal period under review

(a) 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, MCUBS MidCity disposed MID REIT Kyobashi Bldg. in the Osaka metropolitan area as well as 55% of quasi co-ownership in Matsushita IMP Bldg. (total disposition price: ¥16,550 million) and acquired Yokohama i-land Tower in the Tokyo metropolitan area (acquisition price: ¥22,100 million) with funds procured through the disposition and new borrowings as asset replacement. As of the end of the fiscal period under review (December 31, 2018), the portfolio of MCUBS MidCity was comprised of 23 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting to ¥267,619 million.

MCUBS MidCity conducts asset management under the portfolio building policy of focusing on office properties and investments in the three major metropolitan areas, which are the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture) (the same shall apply hereinafter).

(b) Investment environment and management performance

(i) Investment environment

In the 25th fiscal period, GDP for the July to September 2018 period saw negative growth for the first time in two quarters against the backdrop of sluggish personal consumption, decline in capital investment and other factors. However, as the impact of the temporary economic slowdown caused by natural disasters which occurred one after another across Japan was significant, the economy is expected to continue to be generally brisk, backed by the expansion of capital investment and improvement in the employment/income environment due to strong corporate results and response to the improvement in work environment. On the other hand, it is necessary to pay close attention to the trend of trade issues, uncertainty in overseas economies and fluctuation in the financial market.

In the real estate investment market, the investment motivation of investors remains strong against the backdrop of a favorable environment for fund procurement. However, investment yield remains low and investment target properties continue to be scarce. According to the Ministry of Land, Infrastructure, Transport and Tourism’s Land Value LOOK Report for the third quarter of 2018 (July 1 to October 1), the land price of intensively used land of major cities in Japan increased in 96 of the 100 districts, remained flat in 4 and decreased in 0, while the land price trend continues to be on an upward trend.

In the office leasing market, improvement in vacancy rate and the upward trend of rent levels continues. As for new supply of large-scale buildings in Tokyo scheduled in 2019, there are also buildings with tenants informally contracted and relocation of office buildings for the purpose of floor expansion and locational improvement continue to be seen. Therefore, the supply-demand balance of office buildings is expected to remain tight.

In the J-REIT market, the TSE REIT index temporarily exceeded 1,800 points from the beginning of the 25th fiscal period which started at a level of 1,758 points, but was later impacted by deterioration of investors' state of mind due to increasing concerns over the slowdown regarding the future of the global economy to end at 1,774 points at the end of the fiscal period. The domestic interest rate continues to remain low due to the difference in monetary policy from that of Europe and the U.S. where interest rates continues to increase. On the other hand, the balance of outstanding loans granted by financial institutions to real estate businesses reached the highest level ever, and close attention must be paid to the future trend of interest rates as well as the change in lending attitudes.

(ii) Asset management performance

<Investment performance>

During the 25th fiscal period, with an aim to improve profitability of the portfolio and improve stability through diversification, MCUBS MidCity acquired Yokohama i-land Tower in the Tokyo metropolitan area (acquisition price: ¥22,100 million) and disposed MID REIT Kyobashi Bldg. and 55% of quasi co-ownership in Matsushita IMP Bldg. (Note 1) (total disposition price: ¥16,550 million) in the Osaka metropolitan area as a strategic asset replacement in September. As for Yokohama i-land Tower, MCUBS MidCity has avoided excessive acquisition competition through acquisitions based on PRE proposal (Note 2) for the first time, utilizing the sponsor network. On the other hand, by capturing the favorable timing for disposition against the backdrop of the brisk real estate transaction market, MCUBS MidCity disposed 2 properties in the Osaka metropolitan area at the total price, generating gain from the dispositions.

As a result, MCUBS MidCity's portfolio as of the end of the 25th fiscal period was comprised of 23 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 97.1% (of which Tokyo metropolitan area accounting for 56.7%, Osaka metropolitan area 38.6% and Nagoya metropolitan area 1.8%) in the three major metropolitan areas and 2.9% in other areas, and are distributed in terms of property type with 88.4% being office buildings and 11.6% being others.

(Note 1) The remaining 45% of quasi co-ownership in Matsushita IMP Bldg. is scheduled to be disposed in March 2019.

(Note 2) "PRE proposal" indicates a proposal of optimal and efficient use of public real estate (PRE), with an aim to promote proper and efficient management and operation thereof based on the public interest purposes.

<Performance of management of portfolio assets>

In the 25th fiscal period, amid an environment showing recovery in office demand continuing on from the previous fiscal period, there were active tenant movements for reasons of integration of offices and improvement of location. Although there were some tenant exits, an occupancy rate of 98.5% was maintained at the end of the fiscal period under review as a result of attracting new tenants and improving the satisfaction level of existing tenants, surpassing that at the end of the previous fiscal period (98.1%).

(c) Overview of fund procurement

(i) Issuance of new investment units

During the 25th fiscal period, MCUBS MidCity has made no fund procurement through additional issuance of new investment units. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 1,643,125 investment units.

(ii) Debt financing

MCUBS MidCity procures funds considering the maintaining of a balance between fund procurement flexibility and financial stability, including keeping LTV at a conservative level, reducing refinancing risks and mitigating interest rate fluctuation risks.

In the 25th fiscal period, MCUBS MidCity borrowed a total of ¥15,300 million on July 31, 2018, including loans with 10-year terms, the longest bank loan term for MCUBS MidCity, in order to refinance borrowings totaling ¥15,300 million due on July 31, 2018. Backed by the lowered interest rates of the monetary policy of the Bank of Japan, MCUBS MidCity has realized reduction of financial costs while further diversifying maturity dates, extending borrowing periods and fixing interest rates. In addition, MCUBS MidCity newly borrowed ¥6,900 million on September 12, 2018 to partly fund the new acquisition of Yokohama i-land Tower in September 2018.

As of the end of the 25th fiscal period, MCUBS MidCity had a balance of borrowings from 19 financial institutions in the amount of ¥114,875 million and had a balance of investment corporation bonds in the amount of ¥8,000 million. The ratio of interest-bearing liabilities to total assets stands at 43.8%, 94.4% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 79.3% of loans payable are applied to fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

In the 25th fiscal period, the rating outlook by Rating and Investment Information, Inc. (R&I) changed from Stable to Positive on October 5, 2018. The following is the status of MCUBS MidCity's issuer ratings as of the end of the 25th fiscal period.

Credit rating agency	Issuer rating	Rating outlook
Japan Credit Rating Agency, Ltd. (JCR)	A+	Positive
Rating and Investment Information, Inc. (R&I)	A	Positive

(d) Overview of business performance and distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of ¥10,798 million, operating income of ¥5,327 million, ordinary income of ¥4,621 million and net income of ¥4,620 million in its performance for the 25th 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 in excess of 90% of distributable earnings. In accordance with the policy, MCUBS MidCity reserved internally ¥439 million yen as reserve for reduction entry, which was part of gain on sale of Matsushita IMP Bldg. (Beneficiary interest ratio: 55%) disposed in September 2018, under unappropriated retained earnings of ¥4,621 million, and decided to distribute the remaining amount (¥4,181 million) after deducting the reserved amount. Accordingly, MCUBS MidCity declared distribution per unit of ¥2,545.

② Outlook of next fiscal period

(a) Future asset management policy and challenges to address

(i) Internal growth strategy

Tokyo metropolitan area's office leasing market has continued to see a large volume of supply of large-scale buildings in central Tokyo since 2018. Meanwhile, the occupancy rate remains generally high in completed buildings, and some tenants have already been informally decided for buildings scheduled for completion in addition to secondary vacancies filling smoothly. Needs for floor expansion and relocation due to improvement in corporate earnings, increase in the number of employees, improvement in work environment, etc. remain strong. The vacancy rate is likely to remain stable at a low level to a certain degree and rent is also expected to remain stable.

In Osaka metropolitan area's office leasing market, new supply of large-scale buildings is declining and the vacancy rate continues to improve amid ongoing strong office demand. In Osaka City in particular, the vacancy rate is likely to remain stable at a low level and rent is expected to continue with a moderate rise, coupled with the unlikelihood of the supply of large-scale buildings, in 2019.

Under such circumstances, in view of maintaining and enhancing revenue for the medium and long term, MCUBS MidCity is, based on the following strategies, maintaining and improving rent revenue and occupancy rates.

<Strategy on existing tenants to maintain high occupancy rates>

As an initiative for capturing the needs and heightening the satisfaction levels of existing tenants, the Asset Management Company has been conducting surveys of tenant satisfaction levels on the tenants of multi-tenant buildings in MCUBS MidCity's portfolio since the first fiscal period. Based on the results of the surveys, matters pointed out and requested by tenants, etc., the Asset Management Company instructs property management companies and building management companies, as well as considers and carries out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs.

According to the results of the most recent survey conducted in November and December 2018 (13th survey), the level of satisfaction for properties surveyed for the first time was relatively low. However, the level improved for more than half of properties continuously surveyed in comparison with the previous survey. The Asset Management Company will maintain such initiatives to listen to the "voice of office workers," aiming to enhance satisfaction levels of existing tenants and the value of portfolio assets.

At Osaka Business Park (OBP) enjoying abundant greenery with Osaka Castle Park nearby, PR activities are being implemented at Twin 21 to pursue a favorable place to work from the viewpoint of office workers. MCUBS MidCity will continue to consider the improvement of the attractiveness of retail zones at Twin 21 in line with the increase in working population due to the reconstruction and new construction of office buildings in OBP.

<Strategy on leasing to attract new tenants>

As for assets that have relatively large vacant space and scheduled vacant space among MCUBS MidCity's portfolio assets, aggressive efforts will be continuously made to attract new tenants through proposals in line with tenant size and needs as well as development of strategies for attracting tenants including value-enhancement plans that lead to increased competitiveness of MCUBS MidCity's portfolio assets while taking advantage of excellent location and high specifications of the buildings. In addition, MCUBS MidCity has worked to improve competitiveness of properties in view of provision of comfortable office environments by conducting upgrading of facilities and renewal of interiors one after another, as necessary.

<Actions towards ESG>

Concerning its portfolio, MCUBS MidCity shares the view on sustainability, in particular ESG (Environment, Social, Governance) recently attracting attention, with the Asset Management Company striving to respond to responsibility concerning the environment and society based on the "Environment Charter" and "Basic Policy on Responsible Real Estate Investment," and proactively promotes such efforts together with the Asset Management Company.

In particular, with regard to environment, MCUBS MidCity received DBJ Green Building Certification and Certification for CASBEE for Real Estate as well as obtained Building-Housing Energy-efficiency Labeling System (BELS) Certification and Tokyo Low-Carbon Small and Medium-Sized Model Building notification for some of its properties, and plans to continue increasing the acquisition ratio of external certifications.

MCUBS MidCity has also been participating in real estate evaluation of Global Real Estate Sustainability Benchmark (GRESB) since 2016, and was designated as "Green Star," the highest ranking, for three consecutive years and received 5 stars for the first time in "GRESB Rating" (5-star scale), which is a comparative assessment-based rating system, in 2018. In addition, it received "A" in the MSCI ESG Rating and has been included in the MSCI Japan ESG Select Leaders Index from December 2018.

(ii) External growth strategy

MCUBS MidCity strives to improve the risk-return profile of its portfolio via acquiring assets under management in view of mitigating risks of fluctuations in revenue with the effects of diversifying its portfolio of assets under management, etc. 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 properties in the three major metropolitan areas. In addition, from the standpoint of securing more opportunities for property acquisition and diversified investment, investment targets also include so-called “government-designated cities” as well as other major cities or their equivalent, outside of 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 securing more opportunities for property acquisition and diversified investment, 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.)

(iii) Financial strategy

Ongoing efforts will be made at keeping LTV at a conservative level, stable fund procurement, diversifying maturity dates for interest-bearing liabilities and promoting the addition of lending financial institutions with the goal of maintaining financial stability. In addition, measures will be taken to hedge against interest rate fluctuation risks by fixing interest rates depending on interest rate trends.

(b) Outlook of business

(i) Financial outlook

The following is MCUBS MidCity’s business outlook for the fiscal period ending June 30, 2019 (January 1, 2019 to June 30, 2019). For the assumptions underlying the forecast of business, please refer to “Assumptions regarding business outlook for the 26th fiscal period (January 1, 2019 to June 30, 2019) and the 27th fiscal period (July 1, 2019 to December 31, 2019)” below.

Operating revenue	¥ 10,252 million
Operating income	¥ 5,547 million
Ordinary income	¥ 4,895 million
Net income	¥ 4,894 million
Distribution per unit	¥ 2,695
Distribution in excess of earnings per unit	¥ 0

In addition, assuming that “Assumptions regarding business outlook for the 26th fiscal period (January 1, 2019 to June 30, 2019) and the 27th fiscal period (July 1, 2019 to December 31, 2019)” remains unchanged, MCUBS MidCity expects the following business outlook for its 27th fiscal period (July 1, 2019 to December 31, 2019).

Operating revenue	¥ 8,174 million
Operating income	¥ 3,687 million
Ordinary income	¥ 3,074 million
Net income	¥ 3,073 million
Distribution per unit	¥ 1,870
Distribution in excess of earnings per unit	¥ 0

(Note) The business outlook presented herein is current expectations calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may differ from the forecasts due to changes in the conditions. Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

Assumptions regarding business outlook
for the 26th fiscal period (January 1, 2019 to June 30, 2019)
and the 27th fiscal period (July 1, 2019 to December 31, 2019)

Item	Assumptions						
Assets under management	<ul style="list-style-type: none"> • It is assumed that the following property is disposed (the “Asset to be Disposed”), in addition to the 23 properties (including silent partnership interests) held by MCUBS MidCity as of December 31, 2018. With regard to the Asset to be Disposed, sale and purchase agreements have been executed. Planned disposition date of the property is as follows: <div style="text-align: center; margin: 5px 0;"> <table border="1" style="margin: auto;"> <tr> <td colspan="3" style="text-align: center;"><Assets to be Disposed></td> </tr> <tr> <td style="text-align: center;">Matsushita IMP Bldg.</td> <td style="text-align: center;">Beneficiary interest ratio: 45%</td> <td style="text-align: center;">To be disposed on March 8, 2019</td> </tr> </table> </div> • It is assumed that there will be no changes (new property acquisition and sale of existing property, etc.) in MCUBS MidCity’s assets under management until December 31, 2019, excluding the disposition of the Asset to be Disposed. • The actual assets under management may vary due to changes in the property portfolio and other factors. 	<Assets to be Disposed>			Matsushita IMP Bldg.	Beneficiary interest ratio: 45%	To be disposed on March 8, 2019
<Assets to be Disposed>							
Matsushita IMP Bldg.	Beneficiary interest ratio: 45%	To be disposed on March 8, 2019					
Operating revenue	<ul style="list-style-type: none"> • Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as of today, with due consideration of several factors such as the market environment, characteristics and market competitiveness of individual properties, and status of individual tenants. • Operating revenue is calculated assuming there are no tenant defaults or non-payments of rent by tenants. • Dividend income from silent partnership interests is calculated by reflecting a forecast of occupancy of real estate which backs cash flows. • As a result of disposition of trust beneficiary interest of Matsushita IMP Bldg. on March 8, 2019 (Beneficiary interest ratio: 45%) described in Assets under management above, gain on sale of property (expected difference between the planned disposition price and the planned book value on the planned disposition date – expected disposition-related expenses; the same shall apply hereinafter) of ¥1,985 million (planned) is expected to arise for the 26th fiscal period. The actual amount of gain on sale of property may vary. 						
Operating expenses	<ul style="list-style-type: none"> • Of the expenses related to the rent business, which constitute a principal component of operating expenses, expenses other than depreciation are calculated based on historical data and reflecting seasonal and other factors that may cause fluctuations in expenses. • Property management fees of ¥855 million and ¥823 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively. • Utilities expenses of ¥619 million and ¥637 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively. • Fixed asset taxes, city planning taxes and depreciable assets taxes (“fixed asset taxes, etc.”) of ¥657 million and ¥666 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively. • The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. Building repair expenses of ¥296 million and ¥253 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively. Please note that actual repair expenses may differ significantly from the forecasted amounts due to various reasons, including repair expenses possibly arising from damages, etc. to buildings due to unexpected causes. • Depreciation is calculated based on the straight-line method inclusive of associated costs and future additional capital expenditures. ¥1,216 million and ¥1,165 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively. 						
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses of ¥446 million and ¥450 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively. • Borrowing-related expenses of ¥132 million and ¥138 million are expected for the 						

Item	Assumptions
	<p>26th fiscal period and for the 27th fiscal period, respectively.</p> <ul style="list-style-type: none"> • Amortization of investment unit issuance costs of ¥17 million and ¥17 million are expected for the 26th fiscal period and for the 27th fiscal period, respectively.
Interest-bearing liabilities	<ul style="list-style-type: none"> • It is assumed that the balance of interest-bearing liabilities outstanding will be ¥115,975 million and ¥115,975 million as of the end of the 26th fiscal period and as of the end of the 27th fiscal period, respectively. • Short-term loans payable of ¥6,900 million (due on April 30, 2019) is assumed to be repaid at the end of March 2019 in advance of maturity dates by appropriating part of proceeds from planned disposition of Matsushita IMP Bldg. (Beneficiary interest ratio: 45%) on March 8, 2019 described in Assets under management above. • It is assumed that borrowings of ¥15,200 million which will become due during the 27th fiscal period (on July 31, 2019) are to be refinanced.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> • It is assumed that the number of investment units issued and outstanding is 1,643,125, which is the number as of today. • No additional new investment units will be issued by the end of the 27th fiscal period.
Distribution per unit	<ul style="list-style-type: none"> • Distribution per unit is calculated assuming the cash distribution policy set forth in the Articles of Incorporation of MCUBS MidCity. • Distribution per unit may change due to various factors, including changes in assets under management, fluctuations in rent income associated with tenant changes, etc., incurrence of unexpected repairs, fluctuations in interest rates, and the issuance of additional investment units. • As to part of gain on sale of property of ¥1,985 million (planned) expected to arise for Matsushita IMP Bldg. described in Operating Revenue above, voluntary reserve of ¥464 million (planned) is assumed to be recorded for the 26th fiscal period, within the scope of application of “Special Provisions for Taxation on Investment Corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) and “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 of the Act on Special Measures Concerning Taxation). The actual amount of voluntary reserve may vary.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • It is assumed that there will be no cash distributions in excess of earnings (distribution in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • It is assumed that no changes will be made to laws, the tax system, accounting standards, securities listing regulations, rules of The Investment Trusts Association, Japan, etc. affecting the aforementioned forecasts. • It is assumed that there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.

The detail of the asset to be disposed in the 26th fiscal period is as follows.

Name of property	Location	Investment category	Planned disposition price (Millions of yen) (Note)	Planned disposition date
Matsushita IMP Bldg.	1-3-7 Shiromi, Chuo-ku, Osaka-shi, Osaka	Office building	12,150	Beneficiary interest ratio: 45% March 8, 2019
Total			12,150	

(Note) “Planned disposition price” indicates the sale price (excluding property taxes, city planning taxes, consumption taxes, etc.) of the Asset to be Disposed stated in the trust beneficiary interest transfer agreement.

For details of disposition, please refer to “Notice Regarding Acquisition, Leasing, Disposition and Cancellation of Leasing of Trust Beneficiary Interests in Domestic Real Estates (Acquisition of One Office Buildings and Disposition of Two Office Buildings)” dated August 20, 2018.

3. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
ASSETS		
Current assets:		
Cash and bank deposits	11,789,553	12,094,297
Cash and bank deposits in trust	4,729,201	4,872,591
Rental receivables	174,891	180,638
Income taxes receivable	26,284	33,000
Consumption tax refundable	251,725	—
Prepaid expenses	37,262	68,404
Other	—	64
Total current assets	17,008,918	17,248,997
Noncurrent assets:		
Property, plant and equipment:		
Buildings in trust, at cost (Note 1)	82,352,517	80,908,877
Less: Accumulated depreciation	(23,139,723)	(20,830,268)
Buildings in trust, net	59,212,793	60,078,608
Structures in trust, at cost	139,749	116,879
Less: Accumulated depreciation	(34,999)	(31,165)
Structures in trust, net	104,749	85,714
Machinery and equipment in trust, at cost	7,916	5,819
Less: Accumulated depreciation	(3,336)	(2,681)
Machinery and equipment in trust, net	4,579	3,138
Tools, furniture and fixtures in trust, at cost (Note 1)	635,561	563,061
Less: Accumulated depreciation	(445,524)	(401,044)
Tools, furniture and fixtures in trust, net	190,037	162,016
Land in trust	190,332,179	197,324,195
Construction in progress in trust	14,839	22,701
Total net property, plant and equipment	249,859,178	257,676,375
Intangible assets:		
Software	3,305	2,863
Trademark right	42	—
Total intangible assets	3,347	2,863
Investments and other assets:		
Investment securities	5,085,027	5,085,027
Lease and guarantee deposits	10,210	10,210
Long-term prepaid expenses	560,641	645,351
Deferred tax assets	38	10
Total investments and other assets	5,655,917	5,740,599
Total noncurrent assets	255,518,444	263,419,838
Deferred assets:		
Investment corporation bonds issuance costs	67,205	61,825
Investment unit issuance costs	79,516	59,678
Total deferred assets	146,722	121,503
TOTAL ASSETS	272,674,084	280,790,339

The accompanying notes in sections (6), (7), (8) and (9) below are an integral part of these statements.

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
LIABILITIES		
Current liabilities:		
Operating accounts payable	412,960	581,053
Short-term loans payable	—	6,900,000
Current portion of long-term loans payable	15,300,000	15,200,000
Accounts payable – other	766,875	1,007,866
Accrued expenses	149,918	143,871
Distribution payable	11,121	12,452
Consumption taxes payable	—	129,446
Advances received	1,227,796	1,102,088
Other	1,005,031	698,838
Total current liabilities	18,873,704	25,775,617
Noncurrent liabilities:		
Investment corporation bonds – unsecured	8,000,000	8,000,000
Long-term loans payable	92,675,000	92,775,000
Tenant leasehold and security deposits	13,721,175	12,341,919
Tenant leasehold and security deposits in trust	—	639,893
Total noncurrent liabilities	114,396,175	113,756,813
TOTAL LIABILITIES	133,269,879	139,532,431
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	136,452,412	136,452,412
Surplus:		
Voluntary reserve		
Reserve for reduction entry of property	183,659	183,659
Total voluntary reserve	183,659	183,659
Retained earnings	2,768,133	4,621,836
Total surplus	2,951,792	4,805,495
Total unitholders' equity	139,404,205	141,257,908
TOTAL NET ASSETS (Note 2)	139,404,205	141,257,908
TOTAL LIABILITIES AND NET ASSETS	272,674,084	280,790,339

The accompanying notes in sections (6), (7), (8) and (9) below are an integral part of these statements.

(2) Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2018	December 31, 2018
Operating revenue		
Rent revenue—real estate (Note 4)	7,258,435	7,764,585
Other rental business revenue (Note 4)	530,479	604,778
Dividends income	135,326	165,565
Gain on sales of property (Note 5)	—	2,263,726
Total operating revenue	<u>7,924,241</u>	<u>10,798,655</u>
Operating expenses		
Expenses related to rental business (Note 4)	3,786,827	4,128,604
Loss on sales of property (Note 5)	—	427,905
Asset management fees	643,427	789,078
Asset custody fee	5,862	5,961
Administrative service fees	36,945	36,548
Directors' compensations	8,700	8,700
Other	73,970	73,880
Total operating expenses	<u>4,555,733</u>	<u>5,470,678</u>
Operating income	<u>3,368,508</u>	<u>5,327,977</u>
Non-operating income		
Interest income	72	79
Reversal of distribution payable	475	514
Interest on refund	22	1,024
Other	44	405
Total non-operating income	<u>614</u>	<u>2,024</u>
Non-operating expenses		
Interest expenses	410,633	431,996
Interest expenses on investment corporation bonds	17,691	22,492
Borrowing related expenses	137,739	138,791
Amortization of investment corporation bonds issuance costs	4,752	5,379
Amortization of investment unit issuance costs	28,075	19,838
Other	917	89,930
Total non-operating expenses	<u>599,810</u>	<u>708,429</u>
Ordinary income	<u>2,769,311</u>	<u>4,621,572</u>
Extraordinary income		
Subsidy income	50,000	—
Total extraordinary income	<u>50,000</u>	<u>—</u>
Extraordinary losses		
Reduction entry of property	50,000	—
Total extraordinary losses	<u>50,000</u>	<u>—</u>
Income before income taxes	<u>2,769,311</u>	<u>4,621,572</u>
Income taxes		
Current	1,360	819
Deferred	(24)	27
Total income taxes	<u>1,335</u>	<u>847</u>
Net income	<u>2,767,976</u>	<u>4,620,725</u>
Retained earnings brought forward	157	1,111
Unappropriated retained earnings	2,768,133	4,621,836

The accompanying notes in sections (6), (7), (8) and (9) below are an integral part of these statements.

(3) Statements of changes in net assets

(Thousands of yen)

For the six months ended June 30, 2018

	Unitholders' equity							
	Surplus						Total unitholders' equity	Total net assets
	Unitholders' capital (Note 2)	Voluntary reserve		Retained earnings	Total surplus	Total unitholders' equity		
		Unitholders' capital (Note 2)	Reserve for reduction entry of property					
Unitholders' capital (Note 2)								
Balance as of January 1, 2018	125,148,412	183,659	183,659	2,405,786	2,589,445	127,737,857	127,737,857	
<u>Changes during the period</u>								
Issuance of new investment units	11,304,000	—	—	—	—	11,304,000	11,304,000	
Dividends from surplus	—	—	—	(2,405,628)	(2,405,628)	(2,405,628)	(2,405,628)	
Net income	—	—	—	2,767,976	2,767,976	2,767,976	2,767,976	
<u>Total changes during the period</u>	11,304,000	—	—	362,347	362,347	11,666,347	11,666,347	
Balance as of June 30, 2018	136,452,412	183,659	183,659	2,768,133	2,951,792	139,404,205	139,404,205	

For the six months ended December 31, 2018

	Unitholders' equity							
	Surplus						Total unitholders' equity	Total net assets
	Unitholders' capital (Note 2)	Voluntary reserve		Retained earnings	Total surplus	Total unitholders' equity		
		Unitholders' capital (Note 2)	Reserve for reduction entry of property					
Unitholders' capital (Note 2)								
Balance as of June 30, 2018	136,452,412	183,659	183,659	2,768,133	2,951,792	139,404,205	139,404,205	
<u>Changes during the period</u>								
Dividends from surplus	—	—	—	(2,767,022)	(2,767,022)	(2,767,022)	(2,767,022)	
Net income	—	—	—	4,620,725	4,620,725	4,620,725	4,620,725	
<u>Total changes during the period</u>	—	—	—	1,853,703	1,853,703	1,853,703	1,853,703	
Balance as of December 31, 2018	136,452,412	183,659	183,659	4,621,836	4,805,495	141,257,908	141,257,908	

The accompanying notes in sections (6), (7), (8) and (9) below are an integral part of these statements.

(4) Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2018	December 31, 2018
Unappropriated retained earnings	2,768,133,507	4,621,836,523
Cash distribution declared	2,767,022,500	4,181,753,125
<i>(Cash distribution declared per unit)</i>	<i>(1,684)</i>	<i>(2,545)</i>
Voluntary reserve		
Provision of reduction entry of property	—	439,049,427
Retained earnings carried forward	1,111,007	1,033,971

Note:

For the six months ended June 30, 2018

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, 2018 were ¥2,767,022,500 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 4.

For the six months ended December 31, 2018

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, the Investment Corporation transferred a portion of unappropriated retained earnings calculated based on Article 65-7 of the Special Taxation Measures Act of Japan to reserve for reduction entry and declared a total of ¥4,181,753,125 for cash distributions which was all of the remaining retained earnings 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 4.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	June 30, 2018	December 31, 2018
Net cash provided by (used in) operating activities:		
Income before income taxes	2,769,311	4,621,572
Depreciation and amortization	1,328,613	1,325,504
Amortization of long-term prepaid expenses	97,792	97,592
Amortization of investment unit issuance costs	28,075	19,838
Amortization of investment corporation bonds issuance costs	4,752	5,379
Interest income	(72)	(79)
Interest expenses	428,325	454,489
Subsidy income	(50,000)	—
Reduction entry of property	50,000	—
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(10,205)	(5,747)
Decrease (increase) in consumption taxes refundable	(251,725)	251,725
Increase (decrease) in consumption taxes payable	(305,930)	129,446
Increase (decrease) in operating accounts payable	(95,506)	168,092
Increase (decrease) in accounts payable—other	67,793	85,767
Increase (decrease) in advances received	142,801	(125,707)
Decrease (increase) in prepaid expenses	5,590	(31,142)
Payments of long-term prepaid expenses	(85,114)	(182,302)
Decrease in property, plant and equipment in trust due to sale	—	14,317,774
Other, net	(21,975)	1,069
Subtotal	4,102,526	21,133,276
Interest income received	72	79
Interest expenses paid	(410,912)	(460,536)
Income taxes paid	(289)	(7,536)
Net cash provided by operating activities	3,691,396	20,665,282
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment in trust	(24,815,586)	(23,306,548)
Purchases of intangible assets	—	(424)
Proceeds from tenant leasehold and security deposits	1,527,616	404,713
Proceeds from tenant leasehold and security deposits in trust	214,312	32,200
Payments of tenant leasehold and security deposits	(147,879)	(1,428,888)
Payments of tenant leasehold and security deposits in trust	(57,280)	(19,004)
Proceeds from restricted bank deposits in trust	378,581	19,004
Payments for restricted bank deposits in trust	(214,312)	(708,367)
Other, net	(210)	—
Net cash used in investing activities	(23,114,758)	(25,007,314)
Net cash provided by (used in) financing activities:		
Proceeds from short-term loans payable	—	6,900,000
Proceeds from long-term loans payable	11,000,000	15,300,000
Repayments of long-term loans payable	(2,000,000)	(15,300,000)
Proceeds from investment corporation bonds – unsecured	1,981,198	—
Proceeds from issuance of investment units	11,250,001	—
Dividends paid	(2,402,973)	(2,765,177)
Other, net	—	(34,019)
Net cash provided (used) by financing activities	19,828,226	4,100,803
Net change in cash and cash equivalents	404,863	(241,228)
Cash and cash equivalents at beginning of period	16,113,890	16,518,754
Cash and cash equivalents at end of period (Note 6)	16,518,754	16,277,526

The accompanying notes in sections (6), (7), (8) and (9) below are an integral part of these statements.

(6) Note relating to going concern assumption

Nothing to be noted.

(7) 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	2-65 years
Structures.....	2-50 years
Machinery and equipment	11 years
Tools, furniture and fixtures	2-15 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) Investment corporation bonds issuance costs

Investment corporation bonds issuance costs are capitalized and amortized on a straight-line basis over the maturity period of the investment corporation bonds.

(g) 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 ¥86,375 thousand and ¥64,219 thousand for the six months ended June 30, 2018 and December 31, 2018.

(h) 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.

(i) Cash and cash equivalents

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.

(j) 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.

(k) 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.

(8) Change in presentation in the balance sheets

The Investment Corporation has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting (The Accounting Standards Board of Japan Statement No. 28 on February 16, 2018)" from the beginning of the six months ended December 31, 2018, and changed classification of deferred tax assets to investment and other assets from current assets.

As a result of this change, deferred tax assets amounting to ¥38 thousand as of June 30, 2018 which was classified in current assets in previous balance sheets has been reclassified to investment and other assets.

(9) Notes to financial information

Note 1 – Reduction entry for property

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

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
Reduction entry by:		
Government subsidies received		
Buildings in trust	54,864	54,864
Tools, furniture and fixtures in trust	7,279	7,279
Insurance income		
Buildings in trust	68,700	68,700

Note 2 – Unitholders' equity

(1) Number of units

	As of	
	June 30, 2018	December 31, 2018
Authorized	10,000,000 units	10,000,000 units
Issued and outstanding	1,643,125 units	1,643,125 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 3 – Commitment line

As of and June 30, 2018 and December 31, 2018, the Investment Corporation entered into committed lines of credit with Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and MUFG Bank, Ltd. as follows:

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
Total amount of committed lines of credit	15,000,000	15,000,000
Borrowings drawn down	—	—
Unused committed lines of credit	15,000,000	15,000,000

Note 4 – Rental business revenue and expenses

Revenue and expenses related to property rental business for the six months ended June 30, 2018 and December 31, 2018 consist of the following:

(Thousands of yen)

	For the six months ended	
	June 30, 2018	December 31, 2018
Rental business revenue:		
Rent revenue—real estate:		
Rental revenue	5,869,420	6,240,983
Common area charges	1,163,402	1,293,278
Parking lots	225,611	230,323
Total rent revenue—real estate	7,258,435	7,764,585
Other rental business revenue:		
Utilities	446,517	491,308
Cancellation penalty	6,085	24,631
Other	77,876	88,837
Total other rental business revenue	530,479	604,778
Total rental business revenue	7,788,915	8,369,363
Expenses related to rental business:		
Property management fees	875,216	888,442
Utilities	644,679	737,317
Property-related taxes	640,754	673,870
Insurance	9,590	9,127
Repair and maintenance	217,252	417,158
Depreciation	1,328,618	1,325,541
Other	70,715	77,145
Total expenses related to rental business	3,786,827	4,128,604
Operating income from property leasing activities	4,002,088	4,240,759

Note 5 – Gain or loss on sales of property

Analysis of gain or loss on sales of property for the six months ended December 31, 2018 is as follows:

(Thousands of yen)

	For the six months ended December 31, 2018	
	Matsushita IMP Bldg.	MID REIT Kyobashi Bldg.
Sale of property	14,850,000	1,700,000
Cost of property	12,261,446	2,056,328
Other sales expenses	324,827	71,576
Gain (loss) on sales of property, net	2,263,726	(427,905)

There was no gain or loss on sales of property for the six months ended June 30, 2018.

Note 6 – Cash and cash equivalents

Cash and cash equivalents shown in the statement of cash flows consist of the following balance sheet items:

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
Cash and bank deposits	11,789,553	12,094,297
Cash and bank deposits in trust	4,729,201	4,872,591
Restricted bank deposits in trust ⁽¹⁾	—	(689,362)
Cash and cash equivalents	16,518,754	16,277,526

Note:

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

Note 7 – Leases

(a) Lease rental revenues

The Investment Corporation leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of June 30, 2018 and December 31, 2018 scheduled to be received are summarized as follows:

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
Due within one year	3,746,665	4,317,290
Due after one year	9,631,961	7,916,908
Total	13,378,626	12,234,198

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of June 30, 2018 and December 31, 2018 are as follows:

(Thousands of yen)

	As of	
	June 30, 2018	December 31, 2018
Due within one year	6,036	6,036
Due after one year	10,563	7,545
Total	16,599	13,581

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.

Derivative instruments are used only for hedging purposes and not for speculation.

Surplus funds are managed carefully through investment in financial instruments taking into account liquidity and safety.

(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, tenant leasehold, security deposits and investment corporation bond are managed by decentralizing maturity date of loans payable and investment corporation bond 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, 2018 and December 31, 2018.

(Thousands of yen)

	As of					
	June 30, 2018			December 31, 2018		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	11,789,553	11,789,553	—	12,094,297	12,094,297	—
(2) Cash and bank deposits in trust	4,729,201	4,729,201	—	4,872,591	4,872,591	—
Total assets	16,518,754	16,518,754	—	16,966,888	16,966,888	—
(3) Short-term loans payable	—	—	—	6,900,000	6,900,000	—
(4) Current portion of long-term loans payable	15,300,000	15,314,466	14,466	15,200,000	15,236,901	36,901
(5) Investment corporation bonds – unsecured	8,000,000	8,006,800	6,800	8,000,000	8,028,450	28,450
(6) Long-term loans payable	92,675,000	93,371,005	696,005	92,775,000	93,856,301	1,081,301
Total liabilities	115,975,000	116,692,272	717,272	122,875,000	124,021,652	1,146,652
(7) Derivatives 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

Because of their short maturities and floating interest rates, the carrying amounts of short-term loans payable approximate their fair values.

(4) Current portion of long-term loans payable and (6) 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.

(5) Investment corporation bonds – unsecured

The fair value is the quoted price provided by financial market information provider.

(7) Derivative instruments

Please refer to “Note 9 - Derivative instruments.”

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

	(Thousands of yen)	
	As of	
	June 30, 2018	December 31, 2018
Investment securities	5,085,027	5,085,027
Tenant leasehold and security deposits	13,721,175	12,341,919
Tenant leasehold and security deposits in trust	—	639,893

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, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	11,789,553	-	-	-	-	-
Cash and bank deposits in trust	4,729,201	-	-	-	-	-
Total	16,518,754	-	-	-	-	-

(Thousands of yen)						
As of December 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	12,094,297	-	-	-	-	-
Cash and bank deposits in trust	4,872,591	-	-	-	-	-
Total	16,966,888	-	-	-	-	-

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

(Thousands of yen)						
As of June 30, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	15,300,000	23,750,000	19,600,000	12,950,000	8,300,000	28,075,000
Investment corporation bonds – unsecured	—	—	1,500,000	1,000,000	—	5,500,000

(Thousands of yen)						
As of December 31, 2018	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	6,900,000	—	—	—	—	—
Long-term loans payable	15,200,000	22,850,000	14,250,000	9,900,000	10,200,000	35,575,000
Investment corporation bonds – unsecured	—	—	1,500,000	1,000,000	—	5,500,000

Note 9 – Derivative instruments

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

(Thousands of yen)						
As of June 30, 2018						
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps (Note 1)	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	31,100,000	26,300,000	Note 1	-

(Thousands of yen)						
As of December 31, 2018						
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps (Note 1)	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	32,600,000	28,600,000	Note 1	-

Note:

- (1) As disclosed in “(7) Summary of significant accounting policies (h) 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 instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (i) in “Note 8 - Financial instruments (b) Quantitative information for financial instruments”.

Note 10 – Related-party transactions

There was no related-party transaction to be disclosed for the six months ended June 30, 2018 and December 31, 2018.

Note 11 – Segment information

Segment information for the six months ended June 30, 2018 and December 31, 2018 is as follows:

(a) Operating segment information

Disclosure is omitted as the Investment Corporation is comprised of a single reportable segment engaged in the property rental business.

(b) Enterprise-wide disclosures

(i) Information about products and services

Disclosure is not required as revenues from external customers for the single segment are in excess of 90% of total revenues.

(ii) Information about geographic areas

Revenues from overseas customers:

Disclosure is not required as revenues from external customers attributable to Japan are in excess of 90% of total revenues.

Tangible fixed assets:

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

(c) Information about major customers

(Thousands of yen)

Name of customer	Revenues for the six months ended		Relating segment
	June 30, 2018	December 31, 2018	
Panasonic Corporation	972,326	1,061,467	Property rental business
AEON Retail Co., Ltd.	726,000	726,000	Property rental business

Note 12 – 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, 2018 and December 31, 2018.

(Thousands of yen)

	As of / For the six months ended	
	June 30, 2018	December 31, 2018
Net book value		
Balance at the beginning of the period	226,485,272	249,844,634
Net increase (decrease) during the period ⁽¹⁾	23,359,362	7,809,397
Balance at the end of the period	249,844,634	257,654,032
Fair value	254,600,000	267,920,000

Notes:

(1) For the six months ended June 30, 2018:

Changes in the net book value are mainly due to increase by the following acquisitions or other capital expenditures offset by depreciation.

		Increase in net book value
		(Thousands of yen)
Acquisitions:	TOYOTA MOBILITY SERVICE Bldg.	9,619,028
	M-City Akasaka 1-chome Bldg.	4,276,164
	Yoshiyasu Kanda Bldg.	4,190,932
	USC Bldg. (additional acquisition)	6,003,606

For the six months ended December 31, 2018:

Changes in the net book value are mainly due to the following transactions or other capital expenditures offset by depreciation.

		Increase (decrease) in net book value
		(Thousands of yen)
Acquisition:	Yokohama i-land Tower	22,870,427
Dispositions:	Matsushita IMP Bldg. (partial disposition)	(12,261,446)
	MID REIT Kyobashi Bldg.	(2,056,328)

(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, 2018 and December 31, 2018, please refer to “Note 4 – Rental business revenue and expenses.”

Note 13 – Per unit information

The net asset value per unit as of June 30, 2018 and December 31, 2018 was ¥84,840 and ¥85,969, respectively. Net income per unit for the six months ended June 30, 2018 and December 31, 2018 was ¥1,727 and ¥2,812, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the adjusted 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, 2018	December 31, 2018
Net income	2,767,976	4,620,725
Effect of dilutive units	—	—
Net income attributable to unitholders	2,767,976	4,620,725
Adjusted weighted-average number of units outstanding for the period	1,602,373 units	1,643,125 units

Note 14 – Subsequent events

None

Note 15 – Additional information

The Investment Corporation are planning to sale following property in the six months ending June 30, 2019.

Property name: Matsushita IMP Bldg. (45% of quasi co-ownership interest)

Planned disposition price: ¥12,150 million (the sale price stated in the trust beneficiary interest transfer agreement, excluding property taxes, city planning taxes, consumption taxes, etc.)

Date of the sale: Scheduled on March 8, 2019

Note 16 – Omission of disclosure

Note relating to tax effect accounting, retirement benefits and asset retirement obligations are omitted as immaterial.

Note 17 – Changes in unit issued and outstanding

There was no change in unitholders' capital for the six months ended December 31, 2018. The outline of changes in unitholders' capital for the previous periods 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
February 28, 2017	Public offering	29,100	295,125	9,419	124,662	Note 7
March 27, 2017	Allocation of investment units to a third party	1,500	296,625	485	125,148	Note 8
January 1, 2018	Unit Split	1,186,500	1,483,125	—	125,148	Note 9
February 15, 2018	Public offering	152,000	1,635,125	10,738	135,887	Note 10
March 9, 2018	Allocation of investment units to a third party	8,000	1,643,125	565	136,452	Note 11

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 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 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.

Note 7 New investment units were issued at a price of ¥335,400 per unit (subscription price of ¥323,704 per unit) through a public offering in order to raise funds for acquiring new property.

Note 8 New investment units were issued at a price of ¥323,704 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on February 28, 2017.

Note 9 The Investment Corporation implemented a split of its investment units on a five-for-one basis with December 31, 2017 as the record date and January 1, 2018 as the effective date for the unit split.

Note 10 New investment units were issued at a price of ¥73,125 per unit (subscription price of ¥70,650 per unit) through a public offering in order to raise funds for acquiring new property.

Note 11 New investment units were issued at a price of ¥70,650 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on February 15, 2018.

4. Changes in officers

(1) Officers of the Investment Corporation

None

(2) Officers of the Asset Manager

Representative Director:

Toyota Watanabe resigned on January 31, 2019 and Katsura Matsuo was newly appointed on February 1, 2019.

Director:

Nobuo Inoue resigned on January 31, 2019.

Director (part time):

Katsuhisa Sakai resigned on January 31, 2019 and Katsuji Okamoto was newly appointed on February 1, 2019.

5. Additional information

(1) Composition of assets

Classification of assets	Investment category	Investment area	As of June 30, 2018		As of December 31, 2018		
			Total of net book value (Millions of yen)	Ratio to total assets (Note 1) (%)	Total of net book value (Millions of yen)	Ratio to total assets (Note 1) (%)	
Trust beneficial interest in real property	Office Building	Three major metropolitan areas	Tokyo metropolitan area (Note 2)	105,954	38.9	128,616	45.8
			Osaka metropolitan area (Note 2)	110,081	40.4	95,376	34.0
		Other areas	5,587	2.0	5,586	2.0	
	Other	Three major metropolitan areas	Tokyo metropolitan area (Note 2)	23,724	8.7	23,615	8.4
			Osaka metropolitan area (Note 2)	2,376	0.9	2,357	0.8
		Other areas	2,120	0.8	2,101	0.7	
Sub-total			249,844	91.6	257,654	91.8	
Investments in Tokumei Kumiai agreement (Note 3)			5,085	1.9	5,085	1.8	
Bank deposits and other assets			17,744	6.5	18,051	6.4	
Total assets			272,674	100.0	280,790	100.0	
Total liabilities			133,269	48.9	139,532	49.7	
Total net assets			139,404	51.1	141,257	50.3	

Note 1 "Ratio to total assets" is calculated by rounding to the nearest first decimal place.

Note 2 The Tokyo metropolitan area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the Osaka metropolitan area consists of Osaka, Kyoto and Hyogo prefectures.

Note 3 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 4 Construction in progress in trust is included in "Bank deposits and other assets".

(2) Investment assets

(a) Investment securities

The investment in Tokumei Kumiai (“TK”) agreement as of December 31, 2018 was as follows:

Name	Classification of assets	Quantity	Net book value (Millions of yen)		Fair value (Note2) (Millions of yen)		Ratio to total assets (Note 3) (%)
			Per unit	Amount	Per unit	Amount	
Equity interest of TK agreement managed by R40 Godo Kaisha (Note 1)	Investments in Tokumei Kumiai agreement	—	—	5,085	—	5,085	1.8

Note 1 The 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 2 Fair value represents net book value of the equity interest of TK agreement.

Note 3 “Ratio to total assets” is calculated by rounding to the nearest first decimal place.

(b) Properties in trust

The investment properties in the form of trust beneficiary interests held by the Investment Corporation as of December 31, 2018 were as follows:

Investment category	Investment area		Property Number	Name of property	Location (Note1)	Form of ownership	Net book value	Appraisal value	Leasable area	Leased area	Occupancy ratio
							(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)
							Millions of yen	Millions of yen	(m ²)	(m ²)	(%)
Office Building	Three major metropolitan areas	Tokyo metropolitan area	OT-1	Sumitomo Fudosan Ueno Bldg. No.6	5-24-8, Higashiueno, Taito-ku, Tokyo	Trust beneficial interest	7,577	8,520	6,858.16	6,858.16	100.0
			OT-2	G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	12,186	15,100	5,010.68	5,010.68	100.0
			OT-3	Shibuya Sakuragaoka Square	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	17,403	19,400	6,379.66	6,379.66	100.0
			OT-4	Yokohama Creation Square	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	7,033	8,180	12,707.29	11,682.52	91.9
			OT-5	Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	20,462	22,500	24,494.06	24,494.06	100.0
			OT-6	Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	2,847	3,090	3,254.77	3,254.77	100.0
			OT-7	Sasazuka Center Bldg.	2-1-6, Sasazuka, Shibuya-ku, Tokyo	Trust beneficial interest	9,067	9,090	8,219.90	8,219.90	100.0
			OT-8	USC Bldg.	4-11-38, Toyo, Koto-ku, Tokyo	Trust beneficial interest	11,124	11,500	12,489.08	11,724.28	93.9
			OT-9	Yoshiyasu Kanda Bldg.	2-1-15, Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	4,199	4,270	3,149.30	3,149.30	100.0
			OT-10	TOYOTA MOBILITY SERVICE Bldg.	2-12-4, Nihombashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	9,550	10,200	6,123.81	6,123.81	100.0
			OT-11	M-City Akasaka 1-chome Bldg.	1-11-28, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	4,295	4,320	2,608.95	2,608.95	100.0
			OT-12	Yokohama i-land Tower	6-50-1, Honmachi, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	22,867	23,700	25,460.50	24,996.48	98.2
	Osaka metropolitan area		OO-1	Twin 21	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	65,856	56,700	82,304.84	80,816.42	98.2
			OO-2	Matsushita IMP Bldg. (Note 7)	1-3-7 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	9,994	10,000	16,833.37	16,272.03	96.7
			OO-5	MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	3,091	2,390	4,277.63	4,277.63	100.0
OO-7			Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	10,292	9,770	10,189.49	10,189.49	100.0	
OO-8			MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	3,345	2,300	3,881.74	3,881.74	100.0	
OO-9			Higobashi MID Bldg.	1-5-16 Edojori, Nishi-ku, Osaka-shi	Trust beneficial interest	2,795	3,870	4,655.57	4,655.57	100.0	
Other area		OR-1	Sendai Capital Tower	4-10-3, Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	5,586	6,580	12,999.73	11,900.18	91.5	
Sub total							229,579	231,480	251,898.53	246,495.63	97.9
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	23,615	28,500	101,210.44	101,210.44	100.00
		Osaka metropolitan area	RO-1	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	2,357	3,430	9,586.26	9,586.26	100.00
	Other area		HR-1	Dormy Inn Hakata Gion	1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	2,101	4,510	5,554.91	5,554.91	100.00
	Sub total							28,074	36,440	116,351.61	116,351.61
Total							257,654	267,920	368,250.14	362,847.24	98.5

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

Note 2 "Net book value" is calculated by subtracting accumulated depreciation from the original acquisition cost (including relating expenses) of each property.

Note 3 "Appraisal value at end of period" shows the value as of December 31, 2018 appraised by the real estate appraiser (JLL Morii Valuation & Advisory, K.K., 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.

Note 4 "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 Dormy Inn Hakata Gion) that is leasable as of December 31, 2018.

Note 5 "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 Dormy Inn Hakata Gion) that is leased under lease agreements valid as of December 31, 2018.

Note 6 "Occupancy ratio" is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2018 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 7 The Investment Corporation disposed 55% of co-quasi ownership in Matsushita IMP Bldg. on September 5, 2018 and has owned remaining 45% of trust beneficial interest in the property.

Note 8 Amounts less than one million yen are rounded down.

(c) Operation results of properties

Operating results of each property held by the Investment Corporation as of December 31, 2018 were as follows:

Investment category	Investment area	Property Number	Name of property	For the six months ended								
				June 30, 2018				December 31, 2018				
				Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Notes 3 and 4) (Thousands of yen)	Ratio of rental revenue to total rental revenues (Note 5) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Notes 3 and 4) (Thousands of yen)	Ratio of rental revenue to total rental revenues (Note 5) (%)	
Office Building	Three major metropolitan areas	Tokyo metropolitan area	OT-1	Sumitomo Fudosan Ueno Bldg. No.6	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			OT-2	G-Square Shibuya Dogenzaka	7	100.0	263,850	3.6	8	100.0	264,103	3.4
			OT-3	Shibuya Sakuragaoka Square	4	100.0	344,172	4.7	4	100.0	345,290	4.4
			OT-4	Yokohama Creation Square	39	91.8	287,763	4.0	41	91.9	305,952	3.9
			OT-5	Cube Kawasaki	10	100.0	594,812	8.2	10	100.0	659,467	8.5
			OT-6	Higashi-Nihombashi Green Bldg.	6	90.5	78,814	1.1	7	100.0	78,962	1.0
			OT-7	Sasazuka Center Bldg.	8	89.6	238,643	3.3	9	100.0	260,820	3.4
			OT-8	USC Bldg. (Note 7)	9	93.9	224,265	3.1	9	93.9	275,260	3.5
			OT-9	Yoshiyasu Kanda Bldg.	6	100.0	75,485	1.0	6	100.0	101,495	1.3
			OT-10	TOYOTA MOBILITY SERVICE Bldg.	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
			OT-11	M-City Akasaka 1-chome Bldg.	12	100.0	55,251	0.8	12	100.0	87,100	1.1
			OT-12	Yokohama i-land Tower	—	—	—	—	6	98.2	375,142	4.8
	Osaka metropolitan area	OO-1	Twin 21	106	98.1	2,078,356	28.6	107	98.2	2,218,637	28.6	
		OO-2	Matsushita IMP Bldg. (Note 8)	57	95.8	865,891	11.9	61	96.7	588,183	7.6	
		OO-4	MID REIT Kyobashi Bldg. (Note 9)	1	100.0	(Note 6)	(Note 6)	—	—	(Note 6)	(Note 6)	
OO-5		MID Imabashi Bldg.	21	100.0	91,019	1.3	21	100.0	93,652	1.2		
OO-7		Kitahama MID Bldg.	11	100.0	280,946	3.9	11	100.0	280,462	3.6		
OO-8		MID Nishihommachi Bldg.	17	97.4	78,424	1.1	18	100.0	80,095	1.0		
Other area	OR-1	Sendai Capital Tower	80	93.5	243,734	3.4	78	91.5	247,457	3.2		
Sub total				409	97.2	—	—	423	97.9	—	—	
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1	100.0	726,000	10.0	1	100.0	726,000	9.4
		Osaka metropolitan area	RO-1	Konami Sports Club Kyobashi	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
	Other area	HR-1	Dormy Inn Hakata Gion	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)	
	Sub total				4	100.0	—	—	4	100.0	—	—
Total				413	98.1	7,258,435	100.0	427	98.5	7,764,585	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 under each agreement, the tenant is counted for each property and totaled. When a single tenant rents multiple unit in a single property, the count is as one tenant. For a pass-through master leased property, the tenant is counted on an end-tenant basis assuming that all of end-tenants have been agreed that the lessee of the pass-through master lease agreement is lessor for them. 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 at the end of fiscal period 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 "Rental revenues" are excluding other rental business revenues (Utilities, cancellation penalty and other).

Note 4 Total of rental revenues includes Sumitomo Fudosan Ueno Bldg. No.6, TOYOTA MOBILITY SERVICE Bldg., MID REIT Kyobashi Bldg., Konami Sports Club Kyobashi and Dormy Inn Hakata Gion.

Note 5 "Ratio of rental revenue to total rental revenues" is rounded to the nearest first decimal place.

Note 6 "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 7 The Investment Corporation acquired approximately 54% of co-quasi ownership in USC Bldg. on February 16, 2018 and has owned 100% of trust beneficial interest in the property.

Note 8 The Investment Corporation disposed 55% of co-quasi ownership in Matsushita IMP Bldg. on September 5, 2018 and has owned remaining 45% of trust beneficial interest in the property.

Note 9 MID REIT Kyobashi Bldg. were sold on September 4, 2018.

Note 10 Amounts less than one thousand yen are rounded down.