

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

26 th Period

INVESTOR PRESENTATION

Fiscal Period ended June 30, 2019

Securities Code **3227**

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

26th (June 2019) period **Executive Summary**

- **AA-** Credit Rating from JCR
- **AA** ESG Rating from MSCI ~ the only J-REIT
- **DPU beat forecasts** thanks to favorable office market
- Asset Management Company **merged** with Mitsubishi Corp.- UBS Realty Inc.



3227

Asset Management Company Integrated into MC-UBS



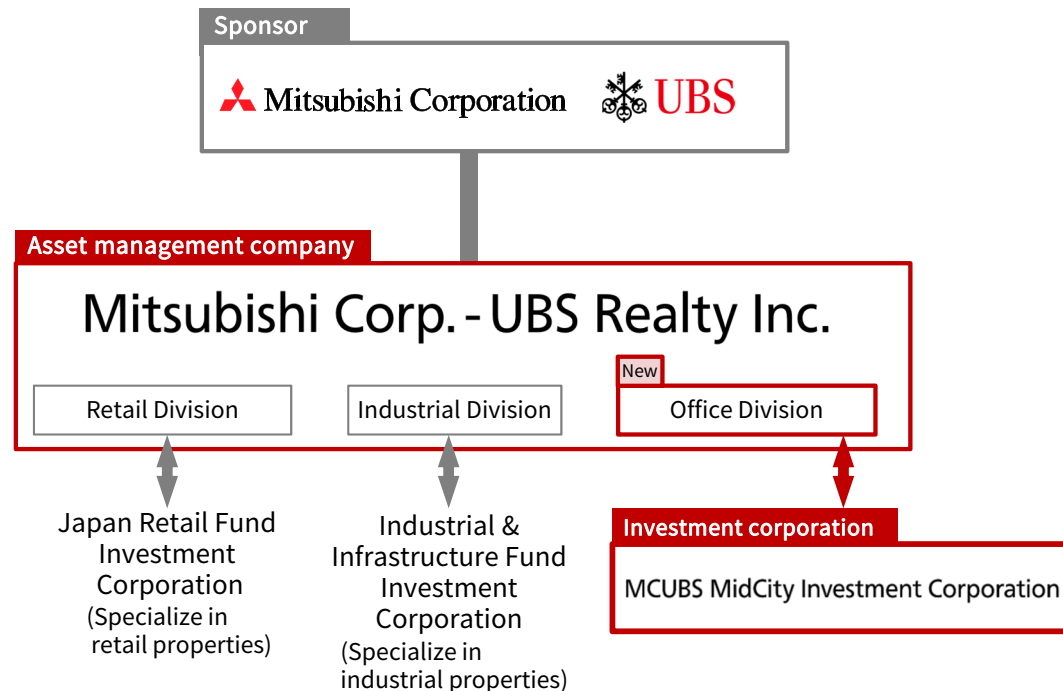
Background of the Merger

April 2015 : MC-UBS **acquired 65% share of the Asset Management Company**

Changed the name to MCUBS MidCity Inc.

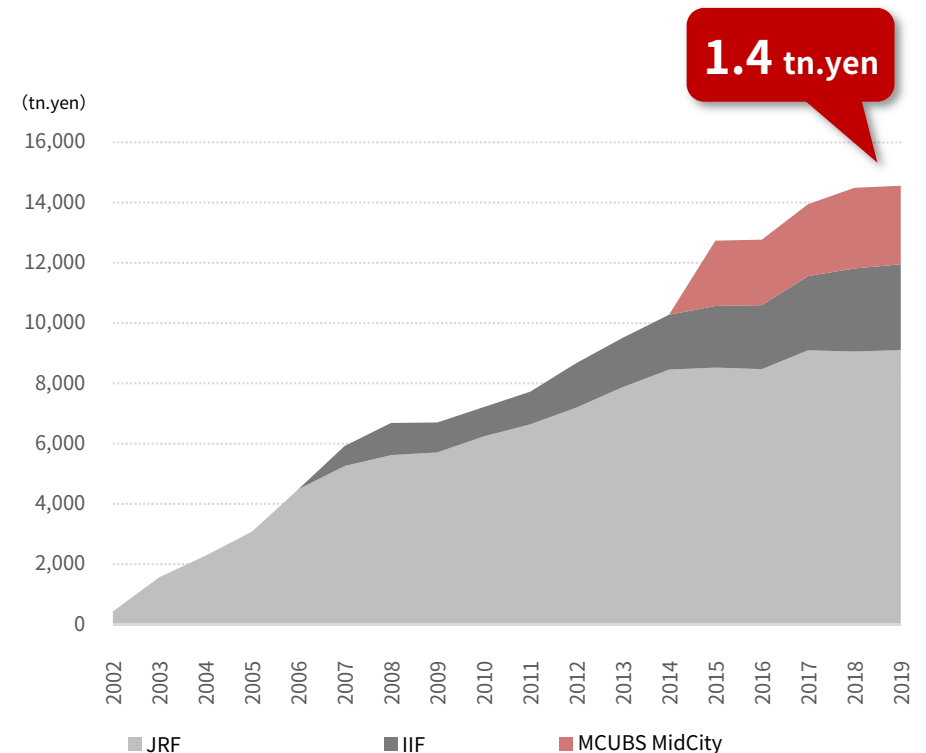
April 2019 : MC-UBS completed 100% share acquisition of MCUBS MidCity Inc.

July 2019 : MC-UBS **absorbed MCUBS MidCity Inc.**



MC-UBS's AUM Track Record

- **17 years** of experience in operating J-REITs
- Largest J-REIT AUM of **1.4 trillion yen**
- One of the largest domestic buyers of commercial real estate

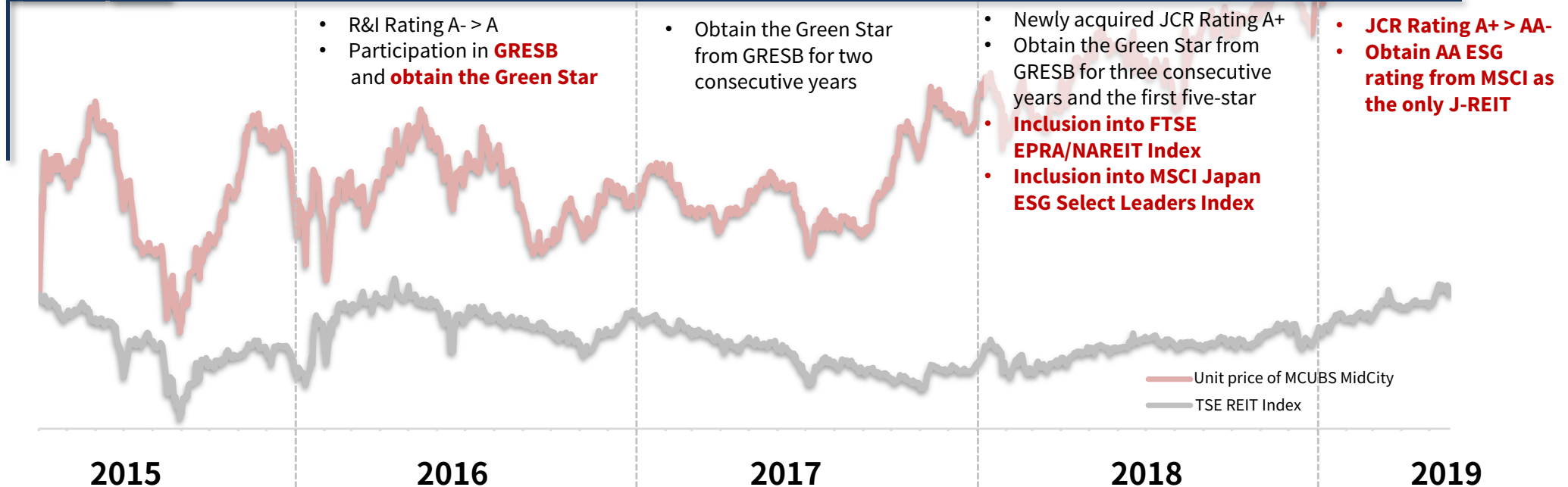


Achievements and Evaluations after MC-UBS Participation

Actions

- MC-UBS takes part in equity of AM company
- Changed investment policy to 3 major metropolitan areas from Osaka
- **First Public Offering**
- **First issuance of investment corporation bonds**
- Setting commitment lines
- Asset replacement
- Second Public Offering
- Issuance of investment corporation bonds for two consecutive years
- Conclusion of green lease agreement and **memorandum of amendment to increase in rent with a large tenant**
- Five-for-one split of the investment units
- Third Public Offering
- Issuance of investment corporation bonds for three consecutive years
- **Strategic asset replacement executed**
- Strategic asset replacement completed
- Merger of Asset Management Companies

Evaluations



Source : Bloomberg

*The TSE REIT index is a relative value assuming that the closing price (1,917.7pt) on April 10, 2015 is the same value as the closing price (58,480 yen) of the investment unit of the MidCity on the same day.

Continuous Improvement in Unitholders' Value

Asset Profitability and stability enhanced through portfolio expansion

	Prior to MC-UBS participation	Jun. 2019 (26 th Period)
Number of properties	12 properties	23 properties
Assets (Acquisition value basis)	157.6 bn.yen	260.6 bn.yen
Unrealized gain / loss	- 32.0 bn.yen	+ 16.4 bn.yen
Average NOI Yield	4.0%	4.5%
Average NOI Yield after depreciation	2.6%	3.6%

ESG Active efforts toward sustainability

	Prior to MC-UBS participation	Jun. 2019 (26 th Period)
GRESB	—	Green Star / 5star
MSCI	—	MSCI Japan ESG Select Leaders Index / AA

Debt Successfully established strong financial base

	Prior to MC-UBS participation	Jun. 2019 (26 th Period)
LTV (Appraisal Value Basis)	47.7%	39.8%
Average interest-bearing liability cost	1.38%	0.97% (end of July 2019)
Average year remaining in interest-bearing liabilities	2.3 years	4.4 years (end of July 2019)
Issuers' ratings	R&I : A-	R&I : A (Positive) JCR : AA- (Stable)

Equity Unitholder value enhanced

	Prior to MC-UBS participation	Jun. 2019 (26 th Period)
Market Cap	53.6 bn.yen (April 10, 2015)	178.1 bn.yen (July 31, 2019)
DPU	1,191 yen	2,751 yen (Excl. Asset disposition related : ¥1,935)
P/NAV	63,504 yen	93,715 yen
Voluntary reserve	—	1,097 mn.yen
Key Index	—	FTSE EPRA/NAREIT Global Real Estate Index

Financial Summary

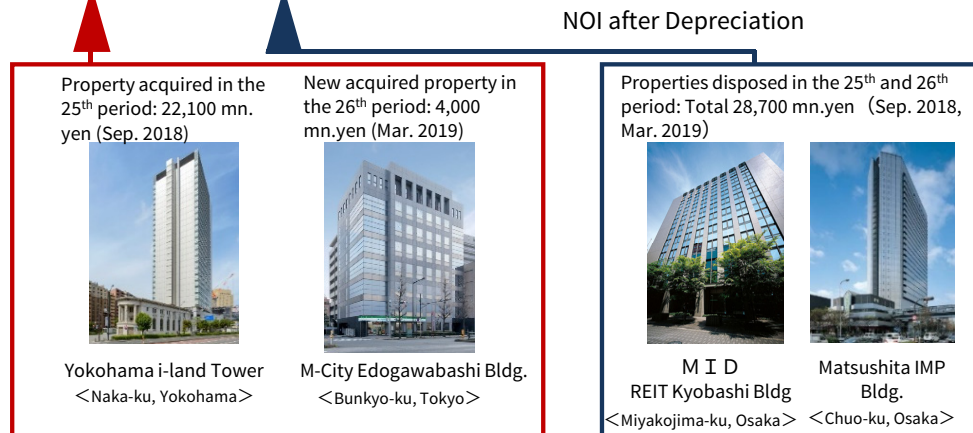
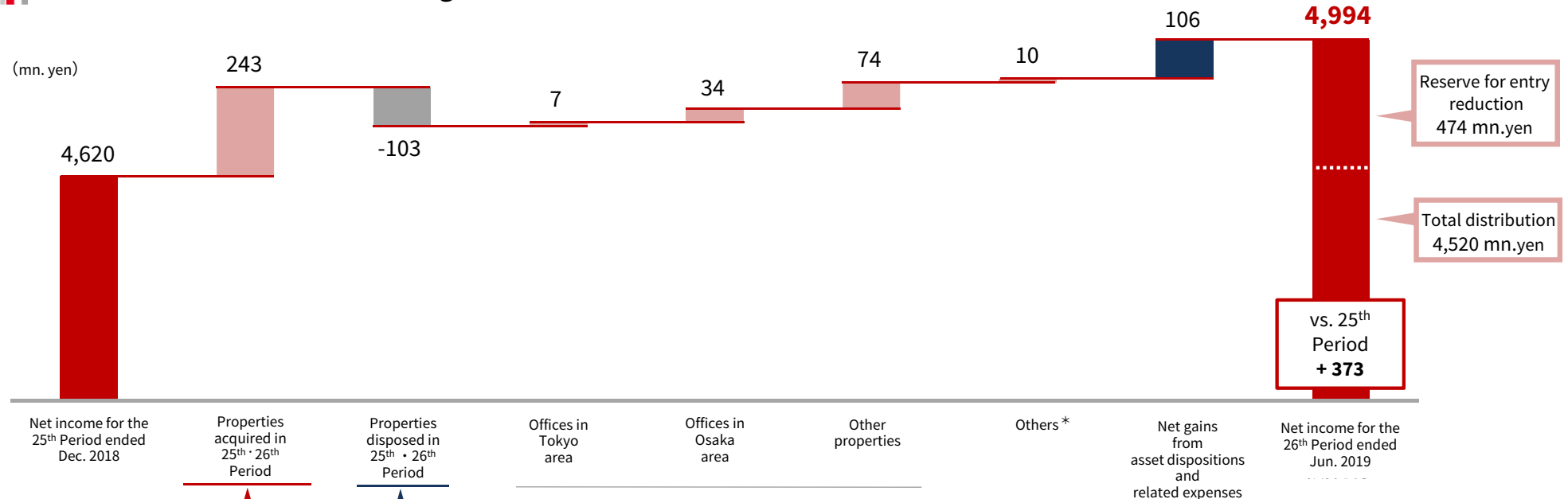
	Fiscal period ended Dec. 2018 (25 th Period)	Fiscal period ended Jun. 2019 (26 th Period)	Difference from 25 th Period	Difference from forecasts*
Operating revenues (Gain on asset disposition)	10,798 mn.yen (2,263 mn.yen)	10,279 mn.yen (1,938 mn.yen)	- 4.8%	+ 0.3%
Operating income (Gain/loss on asset disposition)	5,327 mn.yen (1,835 mn.yen)	5,638 mn.yen (1,938 mn.yen)	+ 5.8%	+ 1.6%
Net Income	4,620 mn.yen	4,994 mn.yen	+ 8.1%	+ 2.0%
Reserves for reduction entry	439 mn.yen	474 mn.yen	+ 8.1%	+ 2.1%
Total distributions	4,181 mn.yen	4,520 mn.yen	+ 8.1%	+ 2.1%
Distribution per unit (excluding gain/loss related to asset disposition)	2,545 yen (1,783 yen)	2,751 yen (1,935 yen)	+ 8.1%	+ 2.1%

* Compared with forecasts in "SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED Dec., 2018" released on 14th February 2019

Profit Growth Continued with Favorable Office Leasing Market



Breakdown of Net Income Changes between 26th Period and 25th Period



* Including dividends received from SPC backed by Nagoya Lucent Tower

Accumulated Reserves to Support Stable Future DPU

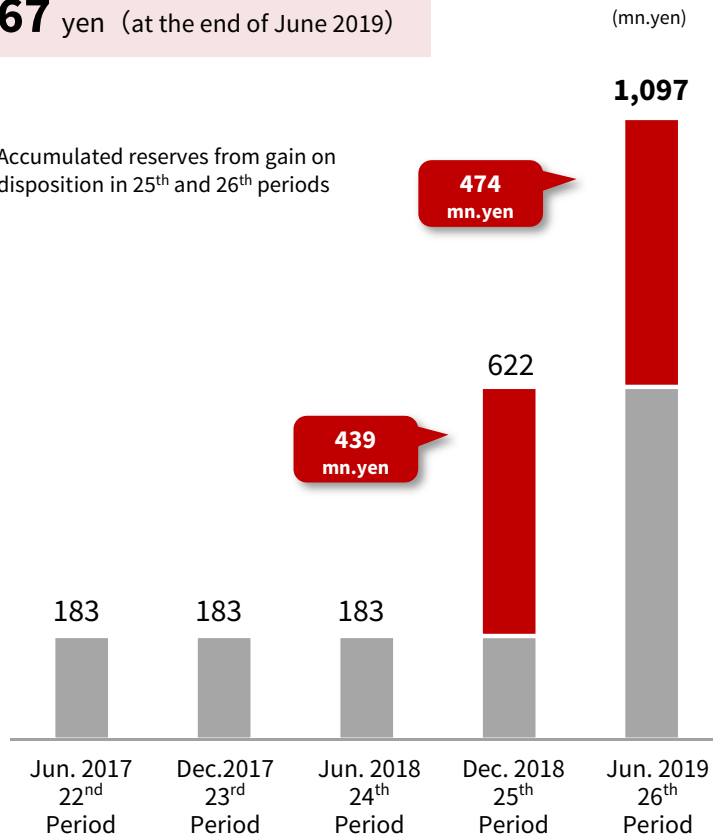


Accumulated Reserves

Reserve per unit

667 yen (at the end of June 2019)

■ Accumulated reserves from gain on disposition in 25th and 26th periods



NOTE: With respect to the balance of accumulated reserve, the amount of reversal of accumulated reserve in the balance sheet at the end of the period is calculated by adding reserves for reduction entry amounts.



Policy on Utilization of Accumulated Reserves

The accumulated reserves will be used for stable distribution payment in the event of a temporary decline in distributions in the future.

<Use for Securing Stability>

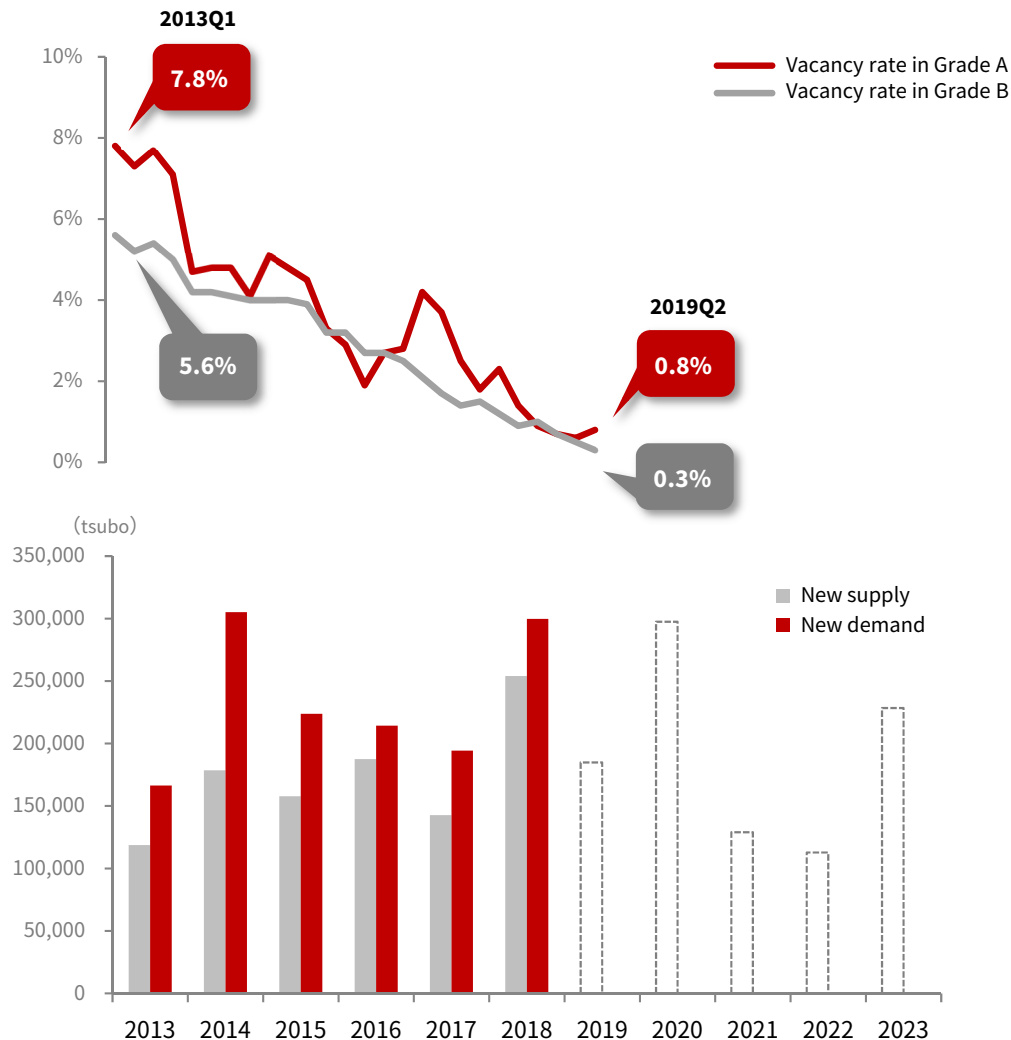
- Temporary revenue decrease due to large-volume tenants leaving, etc.
- Occurrence of loss on disposition of asset
- Temporary expenses incurred due to natural disasters, etc.

<Use for Growth Strategy>

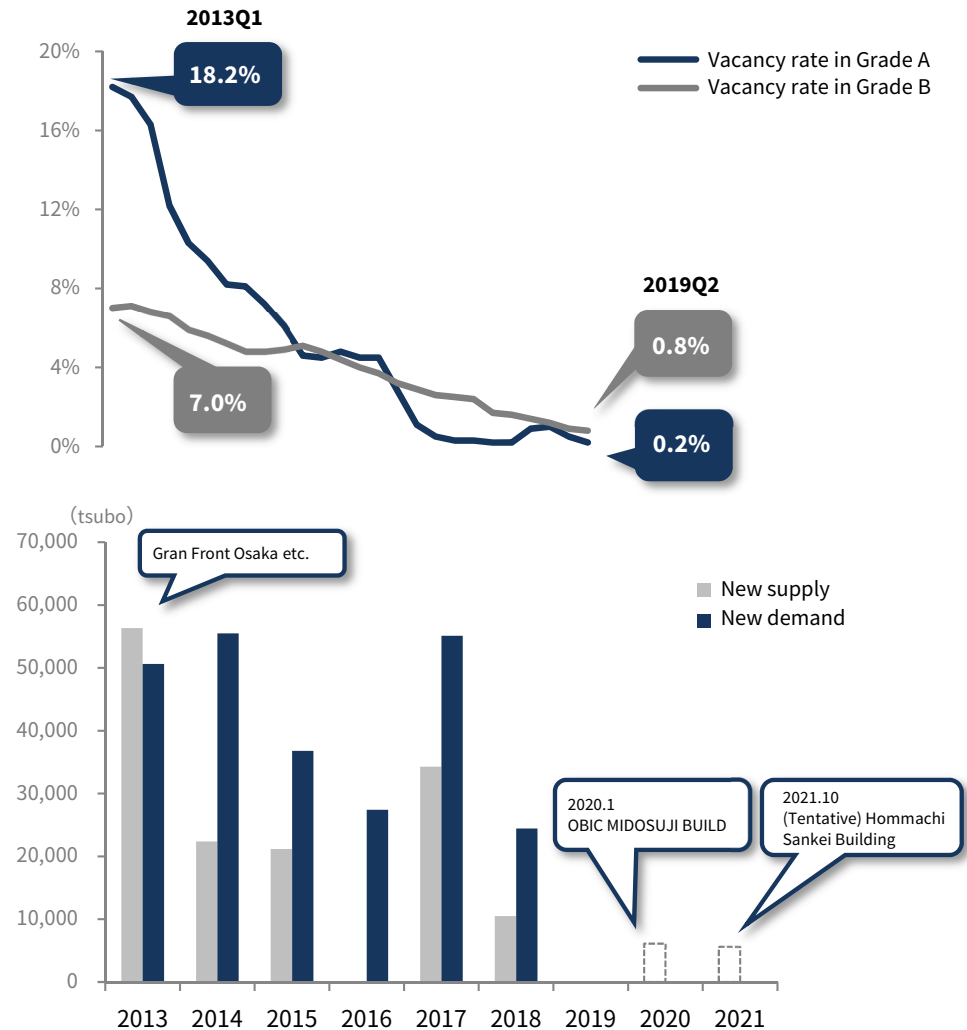
- Reduction in distributions to be attributable to growth investments in major renovations and reconstruction works
- Responding to temporary dilution of distributions due to capital increase during the period

Continuing Favorable Office Market

 **Tokyo Office Vacancies and Supply**



 **Osaka Office Vacancies and Supply**

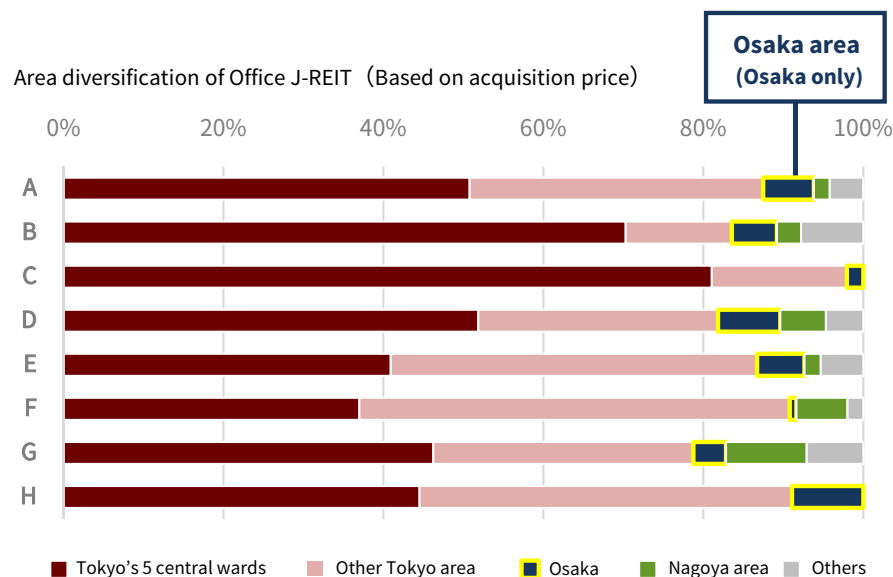
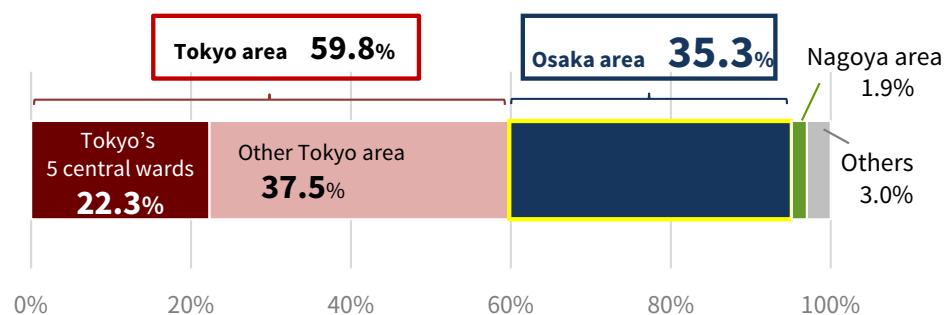


Source: Prepared by the Asset Management Company based on data from CBRE

High Occupancy and Upward Rent Revisions



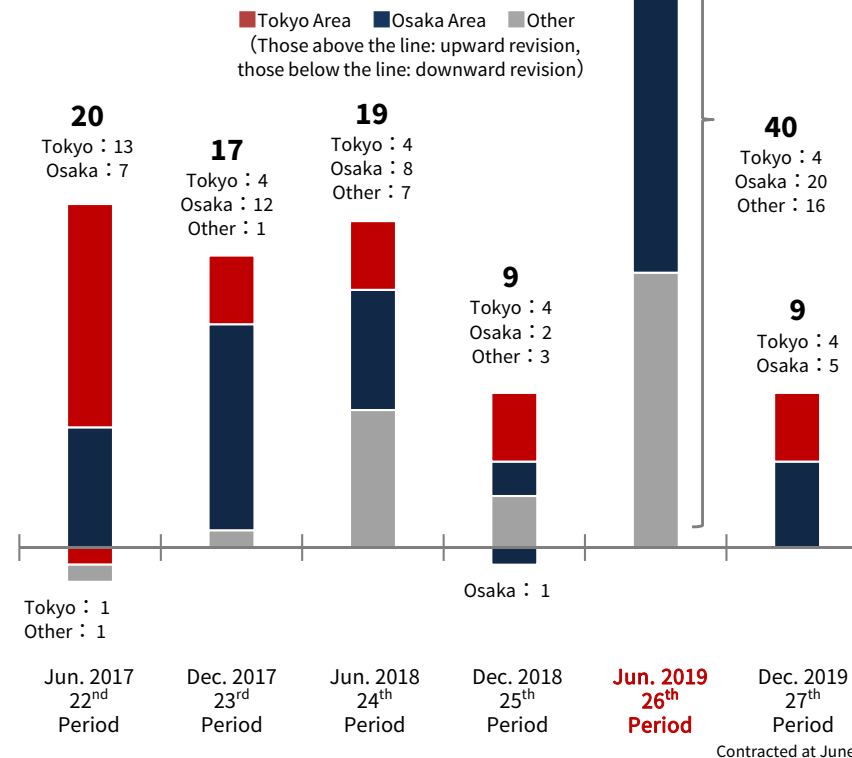
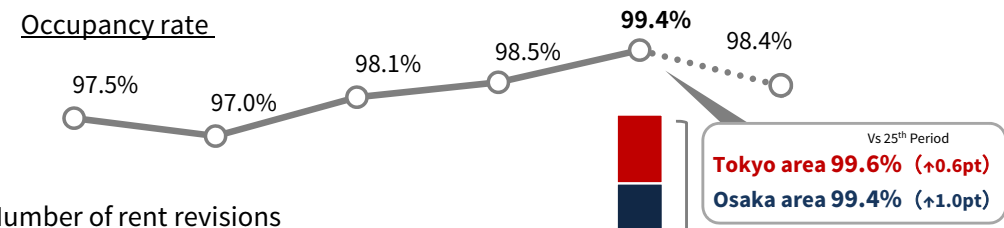
Geographically Diversified Portfolio



* Created by the Asset Management Company based on data published by J-REIT on HP as of August 1, 2019.



Occupancy and the Number of Rent Revisions at Lease Agreements



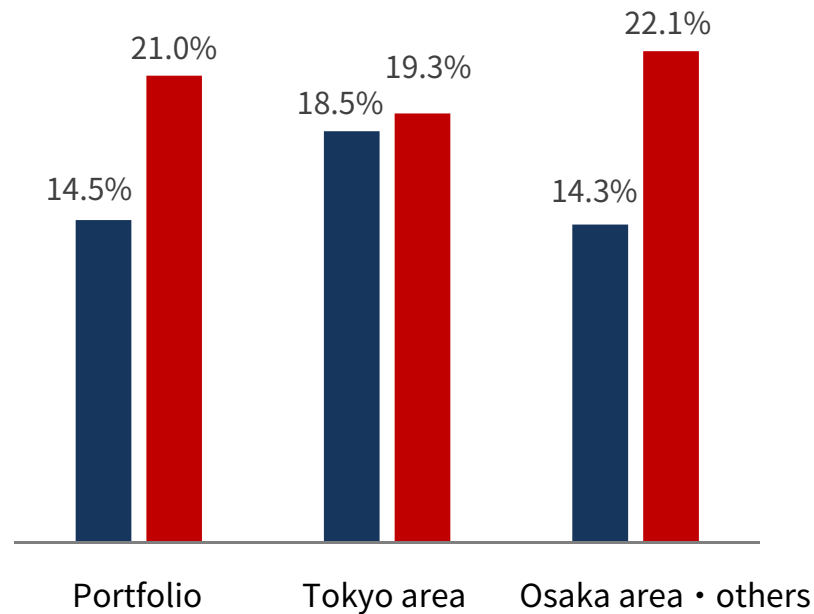
Contracted at June 2019

Solid Internal Growth Continuing

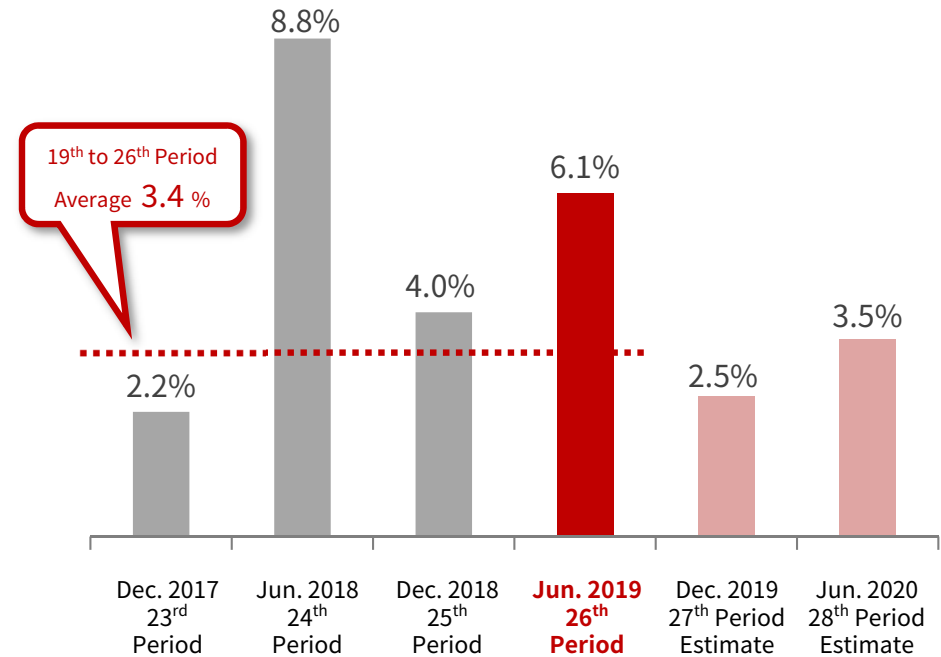


Rent Revision Rate (June 2019 results)

- Weighted average rent revision rate with existing tenants
- Weighted average rent increase rate with new tenants



Annualized LFL NOI Growth*



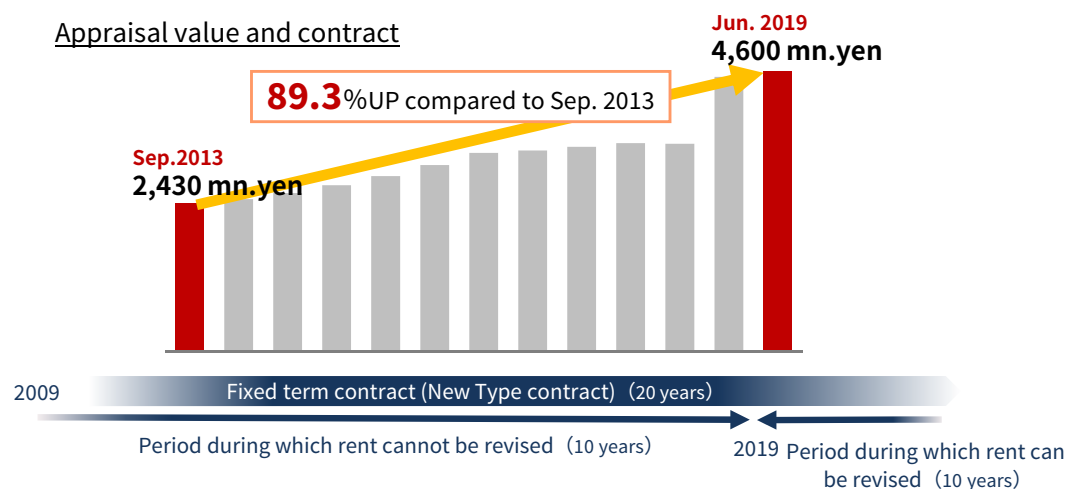
* LFL (like-for-like) NOI Growth is an annualized change of total NOI from all properties owned for past two full periods. Unrecognized real estate taxes are adjusted for newly acquired properties.

Internal Growth Achievements

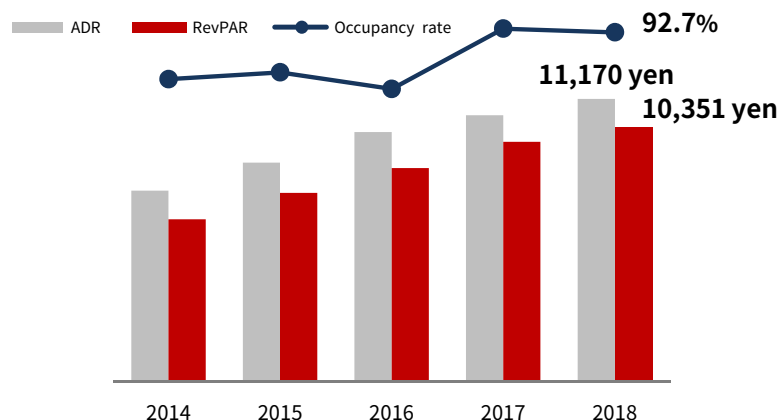


Dormy Inn Hakata Gion (Acquired in Sep. 2013)

Appraisal value and contract



Hotel performance – Fukuoka City (accommodation specializing hotels)

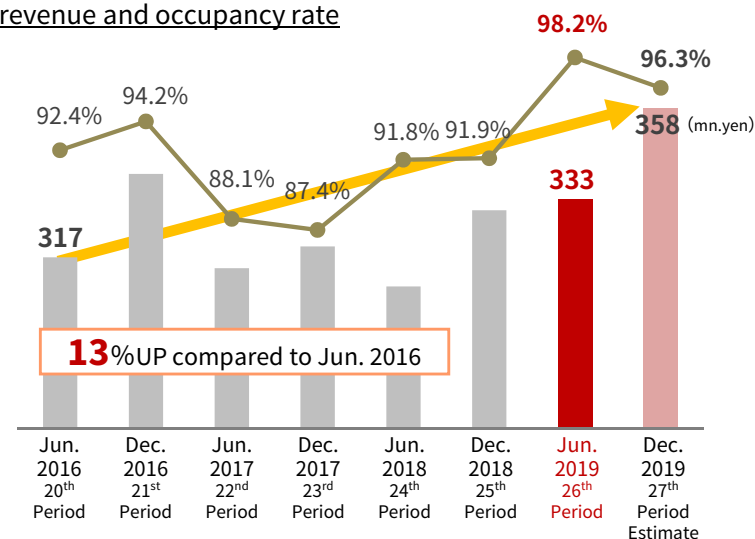


Source: STR. Reproduction or other re-use of this data without the express written permission of STR is strictly prohibited. Asset management company has selected the hotels to be covered.

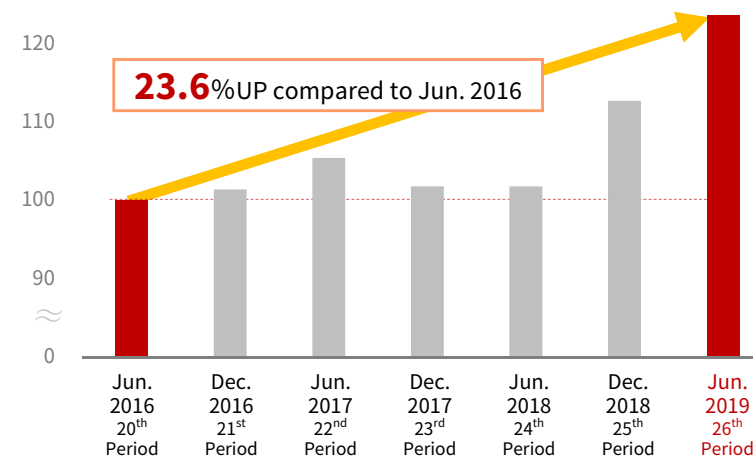


Yokohama Creation Square (Acquired in Aug. 2015)

Rental revenue and occupancy rate



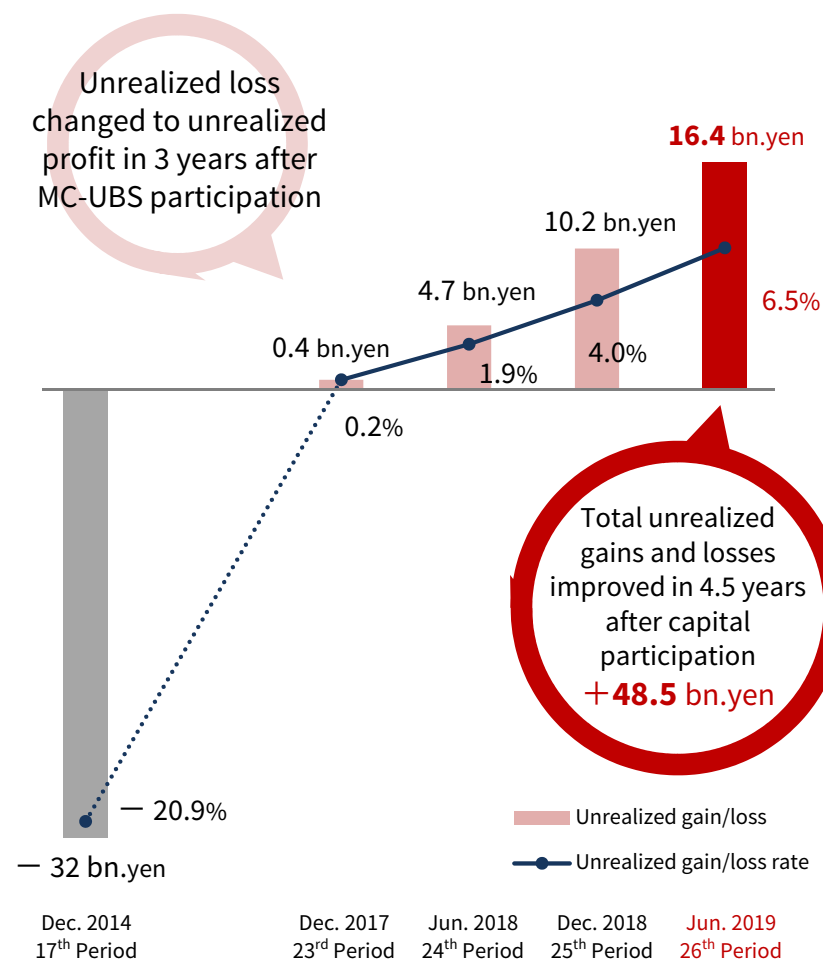
New contract rent trend



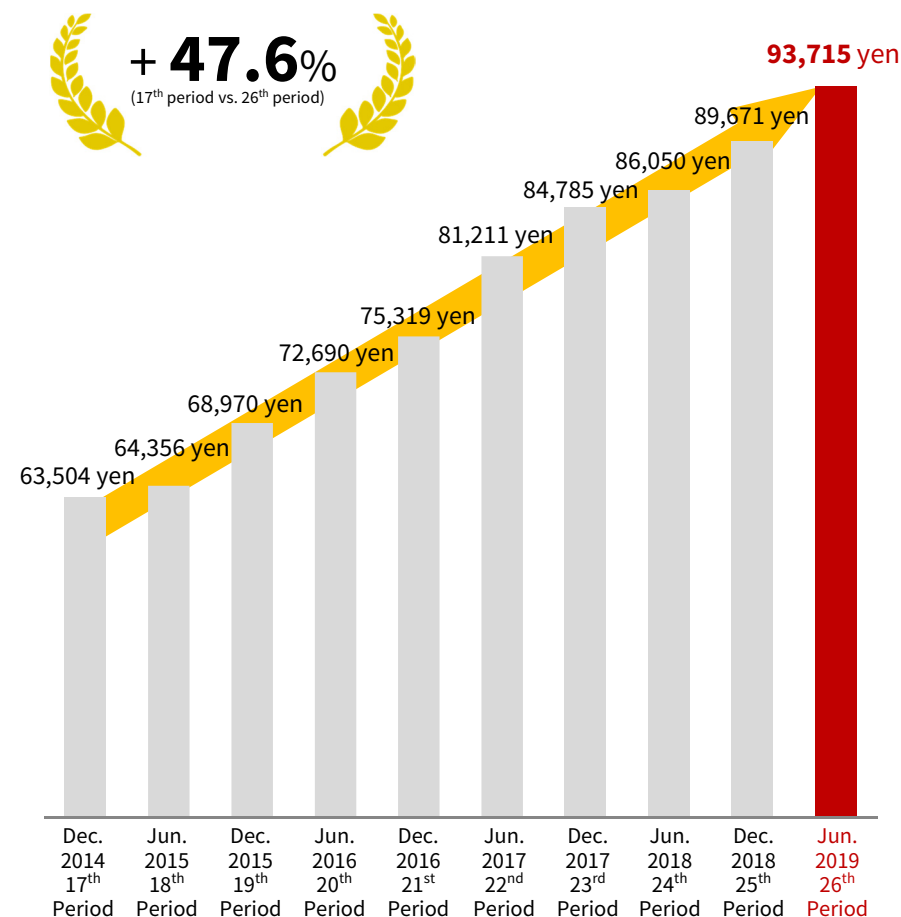
Continuous Portfolio Value Improvements



Unrealized gains/losses of the Portfolio (Ratio)



NAV per Unit

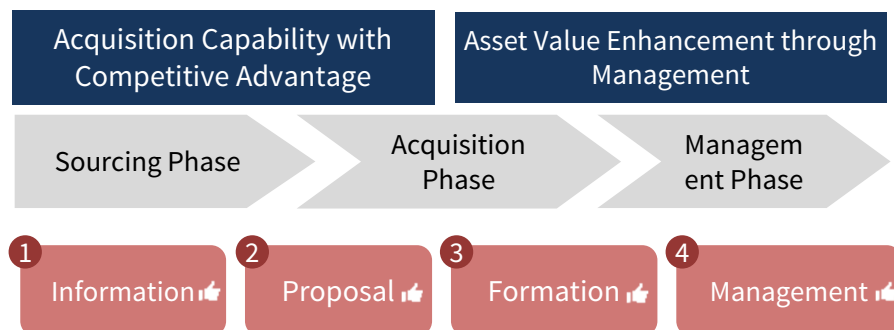


* NAV per unit is calculated, including the reduction reserve.

Selected Investments Leveraging MidCity's Advantages



Unique Strategy based on Asset Information Network

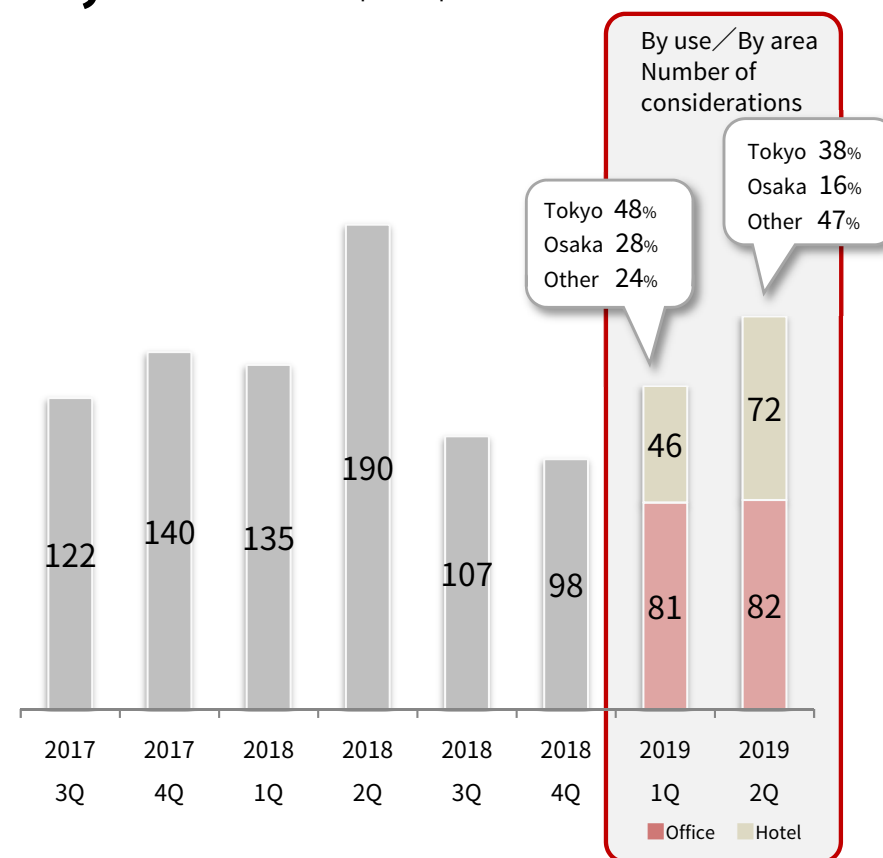


Key properties



Total No. of property information

1,073 (total of the past 8 quarters)



New Acquisition of Qualified Office Property in Tokyo



Acquisition of M-City Edogawabashi Bldg.



Acquisition of M-City Edogawabashi Bldg. at post – depreciation NOI yield of **3.5%** through **disposition of Matsushita IMP Bldg.**

- Three minutes walk from Edogawabashi Station on the Tokyo Metro Yurakucho Line
- High visibility located at the corners along the Shin-Mejiro Street
- Flexible lay-out, free from pillars
- 32 mechanical parking lots

Location	Sekiguchi, Bunkyo-ku, Tokyo
Acquisition price	4,070 million yen (March 19, 2019)
NOI Yield (After Depreciation)	3.9% (3.5%)
Completion Date	September 30, 1992
Construction and Stories	SRC • 8 F
Total Floor Area	4,487.41 m ²
Number of Tenants/ Occupancy	2 / 100%



Reinforcement of Robust Financial Base 1



Credit Ratings

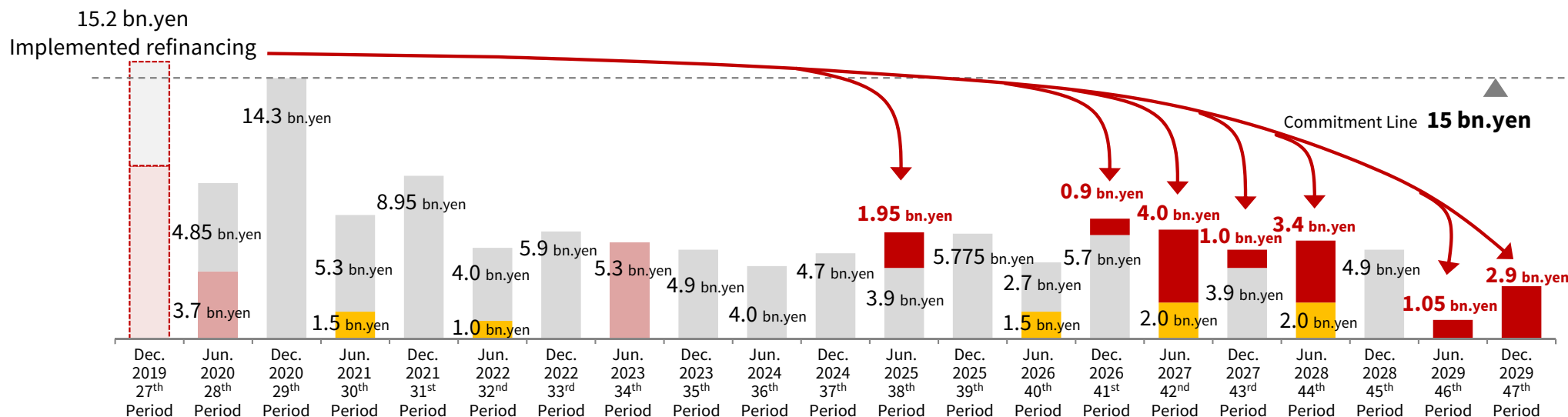
Acquired rating **AA-** from JCR in March 2019

	Rating	Announcement month
Rating and Investment Information, Inc. (R&I)	A (Positive)	October 2018
Japan Credit Rating Agency, Ltd. (JCR)	AA- (Stable)	March 2019



Debt Maturity Ladder

■ Borrowings in July 2019 ■ Existing Borrowings (Fixed) ■ Existing Borrowings (Floating)
■ Investment Corporation Bonds



Refinancing of Borrowings (July 2019)

Lender	Amount	Period	Interest Rate
Mizuho Bank, Development Bank of Japan	2.9 bn.yen	10 years	Fixed
MUFG Bank	1.05 bn.yen	9.5 years	Fixed
Development Bank of Japan, Resona Bank	3.4 bn.yen	8.5 years	Fixed
Sumitomo Mitsui Trust Bank	1.0 bn.yen	8 years	Fixed (Interest Swap)
Resona Bank, Shinkin Central Bank	4.0 bn.yen	7.5 years	Fixed
Senshu Ikeda Bank, The Nanto Bank	0.9 bn.yen	7 years	Fixed
Sumitomo Mitsui Banking	1.95 bn.yen	5.5 years	Floating
Total/ Weighted Average	15.2 bn.yen	8.1 years	0.570%

cf. Repaid Borrowings

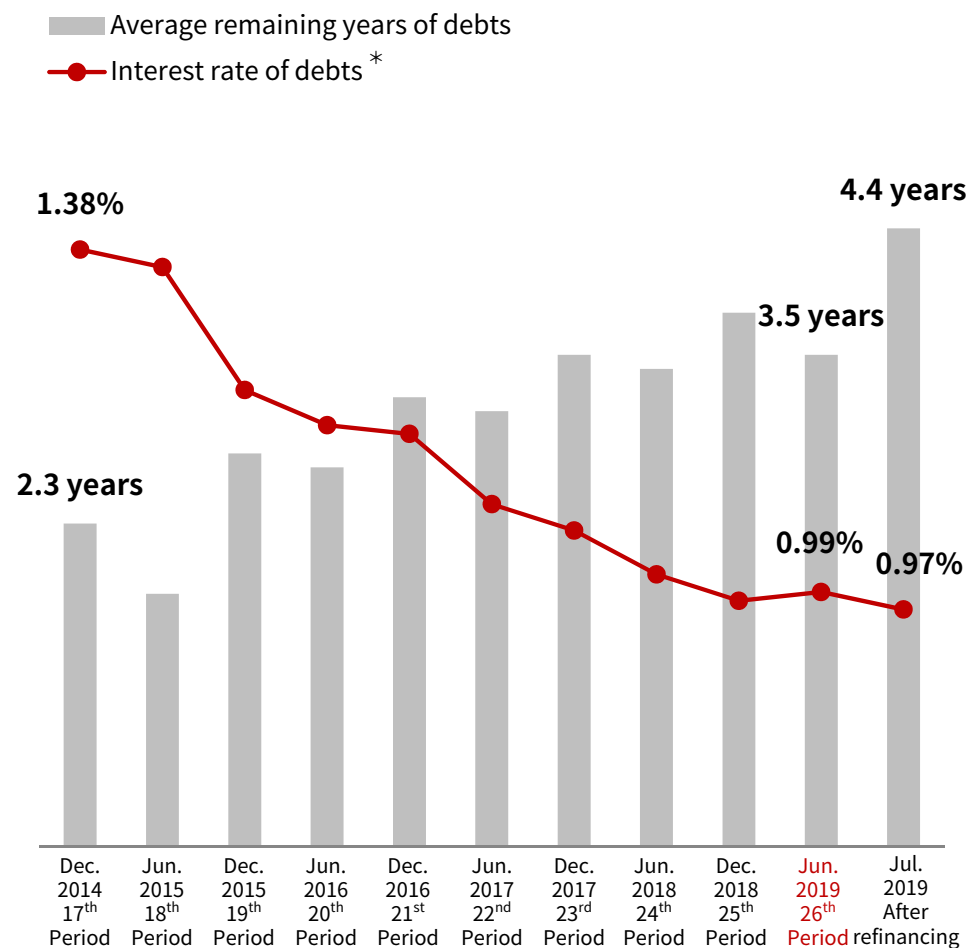
4.6 years

0.779%

Reinforcement of Robust Financial Base 2



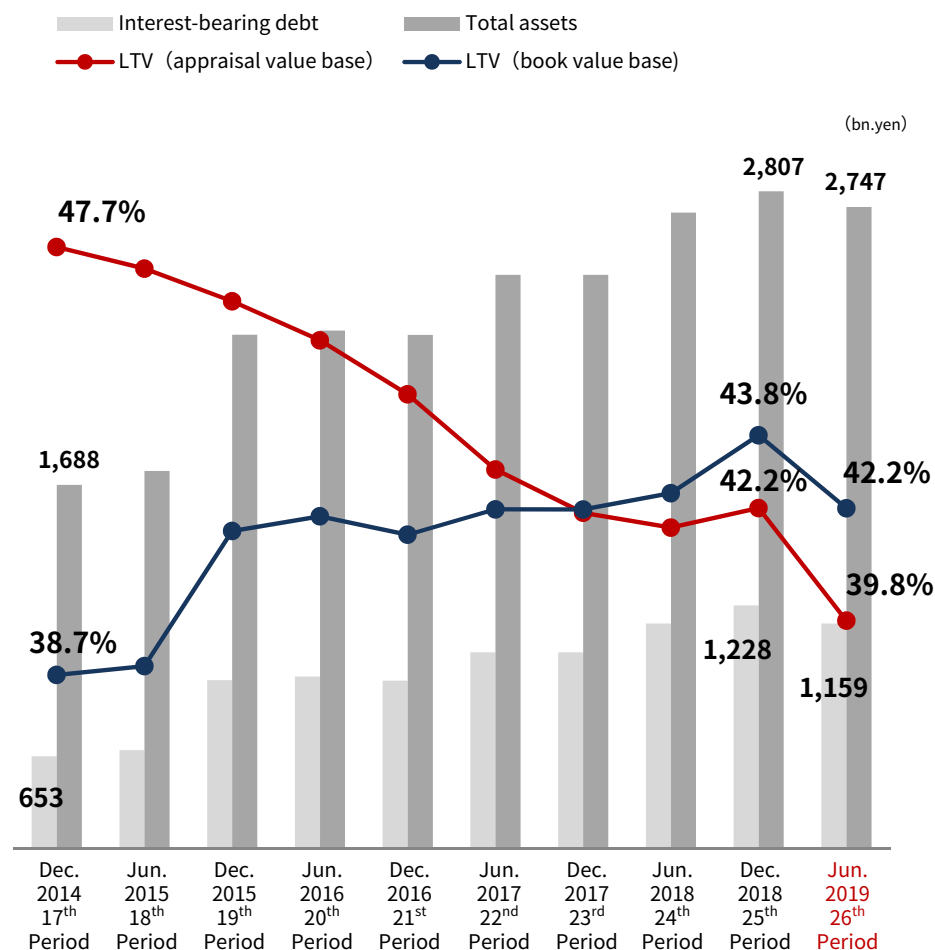
Average Remaining Years and Average Interest Rate of Debts



* All-in-cost including debts-related expenses



LTV



Ongoing Efforts on ESG



The Only AA Rated J-REIT in the MSCI ESG Ratings

- Included in the MSCI Japan ESG Select Leaders Index in December 2018
 - * An index that GPIF makes passive investments linked to it
- MSCI rated **AA** ESG rating the only one in J-REITs (March 2019)



MSCI Japan ESG
Select Leaders Index

J-REITs included as of June 2019	ESG rating
MCUBS MidCity Investment Corporation	AA
Japan Retail Fund Investment Corporation	A
Industrial & Infrastructure Fund Investment Corporation	A
Comforia Residential REIT, Inc.	A
Nippon Prologis REIT, Inc.	A
Nomura Real Estate Master Fund, Inc.	A
ORIX JREIT Inc.	BBB
AEON REIT Investment Corporation	BB
Hulic Reit, Inc.	BB

Source: MSCI, "MSCI Japan ESG Select Leaders Index constituents as of June 2019"

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Green Star in the GRESB for 3 Consecutive Years

- Acquired a Green Star rating for the third consecutive year
- Acquired **the highest rating of 5 Stars**



Acquired environmental certification



BELS certification
5 properties



CASBEE Property Appraisal
3 properties



DBJ Green Building certification
3 properties

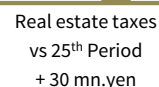
Tokyo Metropolitan Low Emission Bldg.
2 properties

Financial Forecasts on Dec. 2019 and Jun. 2020

	Fiscal period ending Dec. 2019 (27 th Period)	vs 26 th Period	Fiscal period ending Jun. 2020 (28 th Period)	vs 27 th Period
Operating revenues	8,340 mn.yen	- 18.9%	8,287 mn.yen	- 0.6%
Operating income	3,802 mn.yen	- 32.6%	3,831 mn.yen	+ 0.8%
Net income	3,213 mn.yen	- 35.7%	3,254 mn.yen	+ 1.3%
Total distributions	3,212 mn.yen	- 28.9%	3,253 mn.yen	+ 1.3%
Distribution per unit	1,955 yen	- 28.9%	1,980 yen	+ 1.3%

(mn. yen)

(mn. ven)

Jun. 2020 (28th Period) Forecast

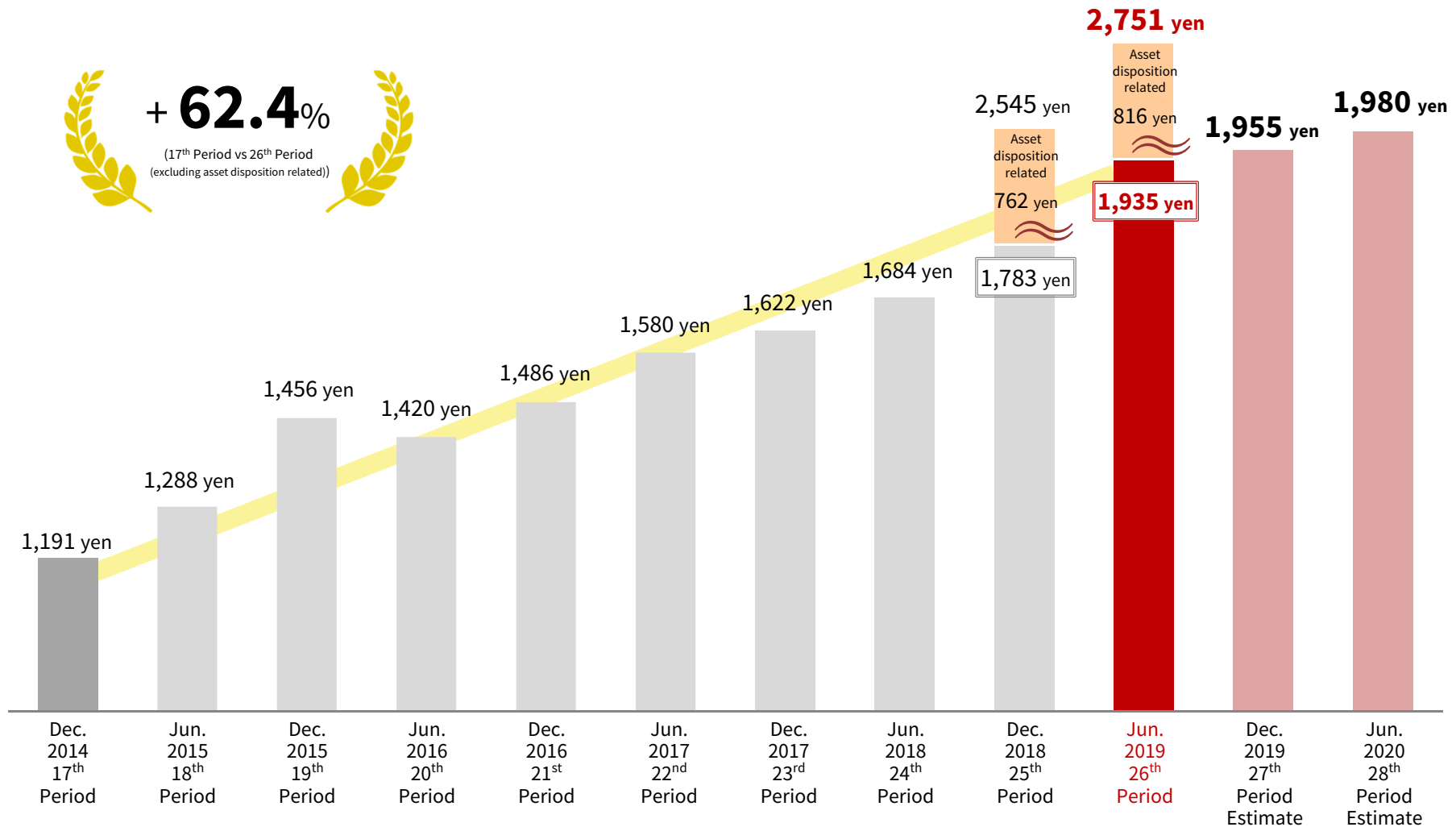
Real estate Taxes of
properties acquired
in the 24th Period
+ 25 mn.yen

* Including dividends received from SPC backed by Nagoya Lucent Tower.

Distribution per Unit Continues to Grow

Distribution per Unit

+ 62.4%
(17th Period vs 26th Period
(excluding asset disposition related))



Memo

Memo

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

Disclaimer

- This material mainly contains forward-looking statements regarding results, plans, managerial targets and strategies. These forward-looking statements are based on current assumptions and preconditions for future events and trends of business circumstances, which are not necessarily correct. Actual results may vary widely from such statements according to various factors
- This material is prepared subject to the accounting principles generally accepted in Japan, unless otherwise stated
- This material is about analyses of financial results of MCUBS MidCity Investment Corporation (the "Investment Corporation"), and is not prepared for the purpose of inducement or invitation for any acquisition of investment securities of the Investment Corporation nor any execution of other financial transaction contracts. Investment decisions are to be made at investors' sole discretion and responsibility
- The Investment Corporation is a publicly-offered real estate investment corporation (J-REIT) investing in real estate and related assets the prices of which may fluctuate. Unitholders of the Investment Corporation may suffer loss when unit prices decline in the market or an amount of distributions declines, according to economic and interest rate circumstances, a balance of supply and demand for units, real estate market environment, fluctuations of prices of, and rent revenues from real estate properties under management, disasters, aggravation of financial status of the Investment Corporation and other reasons. For detail, please see "Investment Risk" stated in the Securities Registration Statement (offering circular) and the Securities Report of the Investment Corporation.

Asset Management Company: Mitsubishi Corp.- UBS Realty Inc.

(Certified Financial Instruments Business Operator: Director of Kanto Local Financial Bureau (Kinsho) Registration No. 403, and Member of The Investment Trusts Association, Japan)