

Think bold today for a brighter tomorrow.



26th Fiscal Period

January 1, 2019 to June 30, 2019

Business Report

MCUBS MidCity Investment Corporation

MCUBS MidCity Investment Corporation

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

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

Securities code: 3227

Message from the Executive Director



Katsuhiro Tsuchiya
Executive Director
MCUBS MidCity Investment Corporation

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

MCUBS MidCity Investment Corporation (hereafter, “MCUBS MidCity”) recently settled its accounts for the fiscal period ended June 30, 2019 (the 26th fiscal period). We would like to extend our heartfelt appreciation to our unitholders as we recognize that this is again thanks to your support.

We ask our unitholders for your continued kind support going forward, as we implement measures to enhance unitholder value and strive in all our operations to meet unitholder expectations.

Investment Policy

Targeted Area:

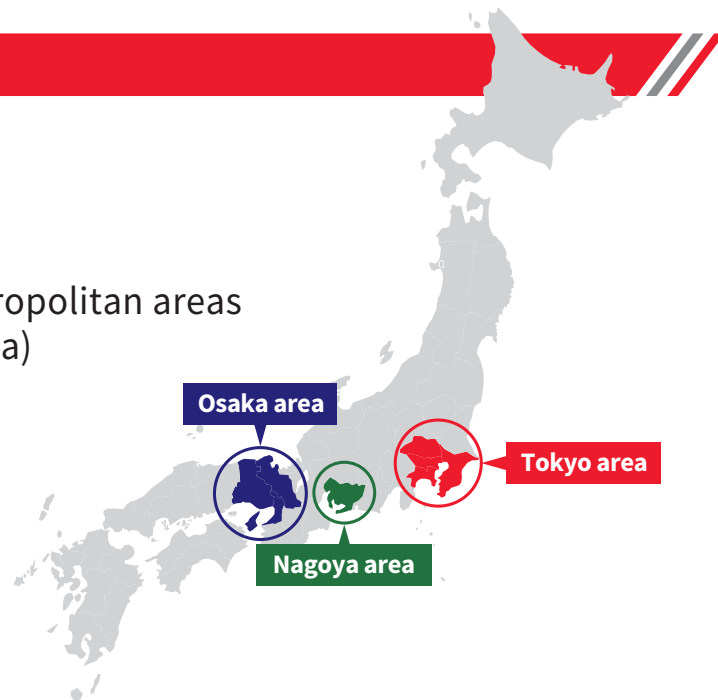
Investment focused on three major metropolitan areas (Tokyo area, Osaka area and Nagoya area)

Investment share of the three major metropolitan areas to be 70% or higher

Targeted Asset Type:

Investment focused on office properties

Investment share of office properties to be 70% or higher



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Financial Strategy		

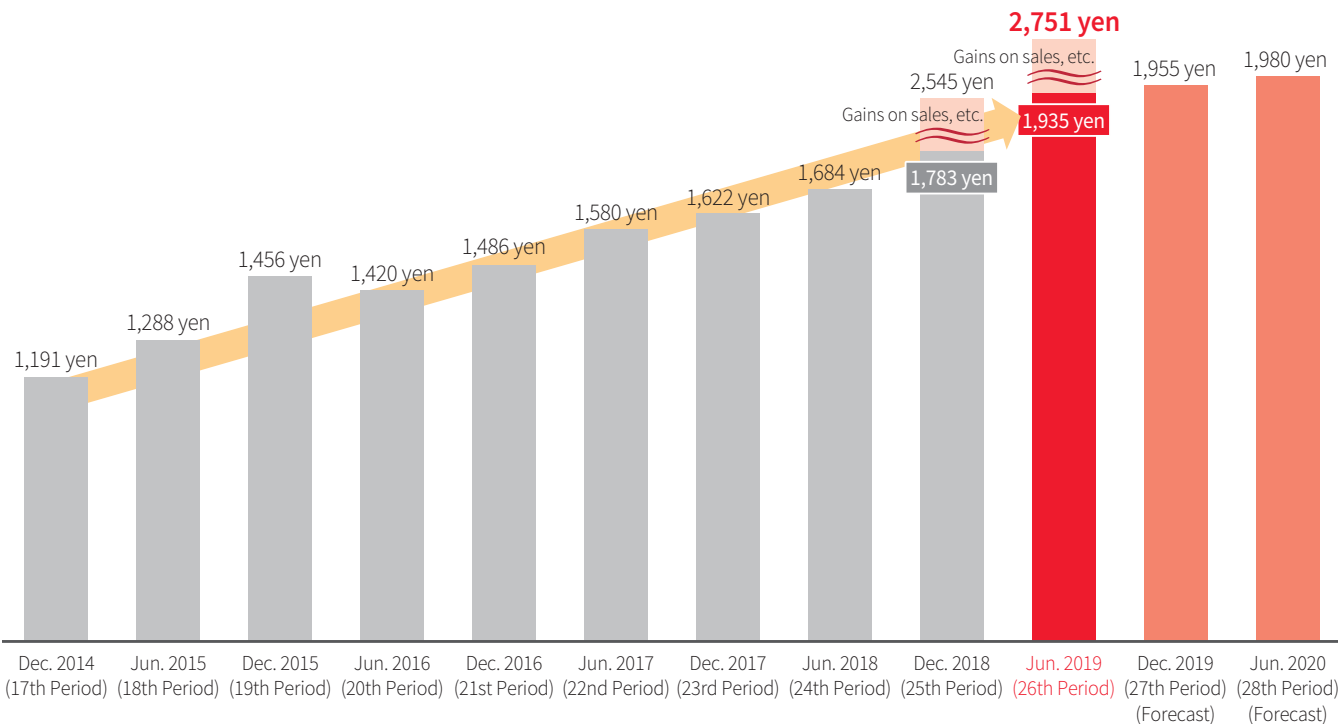
(Note) The contents of pages 1 to 12 reflect operating results from the end of the 26th fiscal period to the end of July 2019.
(Note) Values of less than a full unit are truncated, and percentages and number of years are shown rounded to the second decimal place. Accordingly, the sums of the various items may not match the total figures shown.

26th Fiscal Period Financial Highlights

Distributions per Unit

2,751 yen (up 206 yen period on period)

■ Distributions per Unit
Growth rate +62.4% (17th Period vs. 26th Period exc. disposition related gains)



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

Operating Revenue 10,279 million yen (down 4.8% period on period)

Operating Income 5,638 million yen (up 5.8% period on period)

Net Income 4,994 million yen (up 8.1% period on period)

Asset Size (Based on acquisition price) 260.6 billion yen (down 7 billion yen period on period)

Number of Properties 23 (unchanged period on period)

Occupancy Rate 99.4% (up 0.9 percentage point period on period)

Management Message



26th Fiscal Period Financial Results

During the fiscal period ended June 30, 2019 (“the period under review”), we disposed of the remaining 45% of our quasi-coownership of the Matsushita IMP Bldg. (Osaka), of which part had been disposed of in September 2018. The proceeds were used to acquire the M-City Edogawabashi Bldg. in Tokyo. Operating revenues for the period under review fell to 10,279 million yen (down 4.8% over the previous period), due to a decline in rent revenues—real estate. This decline was due to the above-mentioned disposal and the decrease in the gain on sales of property and equipment compared with the previous period. However, in expenses related to the rental business, the removal of the loss on sales of property and equipment, combined with seasonal factors, enabled us to control utilities expenses, resulting in operating income of 5,638 million yen (up 5.8% over the previous period), and net income of 4,994 million yen (up 8.1%).

As was the case in the previous period, 474 million yen of net income was retained internally for the reserve reduction entry, resulting in total distributions of 4,520 million yen and distributions per unit of 2,751 yen, an increase of 8.1%, period on period.

Forecasts

Due to the decrease in the gain on sales of property and equipment, distributions per unit for the fiscal period ending December 31, 2019 are forecast to be 1,955 yen (a decline of 28.9% over the previous period). Compared with the distributions per unit for the period under review of 2,751 yen, this appears to be a significant decline, but when compared with the 1,935 yen in distributions per unit obtained by excluding the gain on sales of property and equipment, among other factors, it represents an increase

of 1.0% over the previous period. For the fiscal period ending June 30, 2020 that follows, distributions per unit are forecast to be 1,980 yen (up 1.3% period on period), reflecting our aim of achieving steady growth in distributions going forward.

26th Fiscal Period Asset Management

Against the backdrop of a favorable office rental market, the occupancy rate at the end of the period under review was 99.4%, an increase of 0.9pt over the end of the previous period. During the period under review, 40 upward rent revisions were implemented, a record number, with an average upward revision in rent of 14.5%.

We also continued with our ESG initiatives, becoming in March 2019 the only J-REIT to have obtained an “AA” ESG rating from MSCI.

Changes in Credit Ratings

In March 2019, the long-term issuer rating assigned to MCUBS MidCity by the Japan Credit Rating Agency, Ltd. (JCR) was raised to AA- (stable), reflecting a positive assessment of the improved stability of the portfolio resulting from sustained external growth, steady advances in internal growth, and a strengthening of our financial standing.

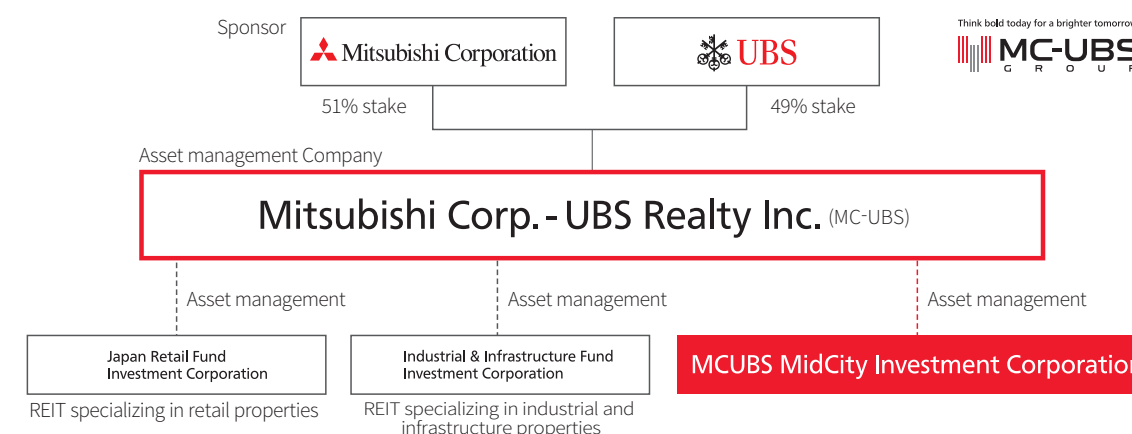
We expect the improved creditworthiness gained by achieving an AA rating — a long-term target ever since Mitsubishi Corp.-UBS Realty Inc. took a full-scale stake in the asset management company of the former MID REIT, Inc. in April 2015 — to lead to a further expansion in the investor base.

Japan Credit Rating Agency, Ltd. (JCR)

A+ (Positive) → **AA- (Stable)**

Acquisition of the Asset Management Company and the Future

In April 2019, MC-UBS acquired all of the shares of the asset management company that it did not already have, and MCUBS MidCity Inc. was absorbed into MC-UBS in July 2019. As a result, MC-UBS became the manager of three investment corporations, with assets under management totaling more than 1.4 trillion yen.



Through this merger, we will work to make even greater use of MC-UBS’s know-how, expertise, and personnel to strengthen our operating platform. As well, we will conduct asset management of even higher quality than before, with the goal of further raising our competitiveness and the unitholder value of the asset management company. We humbly petition our unitholders for their continued and constant support as we go forward.

External Growth Strategy

Acquisition of properties contributing to enhanced portfolio quality

Property acquired during 26th fiscal period M-City Edogawabashi Bldg. Acquired on March 19, 2019



Features of the property

- Three-minutes walk from Edogawabashi Station on the Tokyo Metro Yurakucho Line
- High visibility located at the corners along the Shin-Mejiro dori
- Neighborhood is home to the headquarters of a printing company and a university. There is substantial demand in the area from academic departments and associated companies
- Flexible lay-out, free from pillars
- 32 mechanical parking lots

Acquisition Price	4,070 million yen	Appraisal Value	4,240 million yen
Location	1-44-10 Sekiguchi, Bunkyo-ku, Tokyo		
Total floor area	4,487.41 m ²	Completion date	September 1992

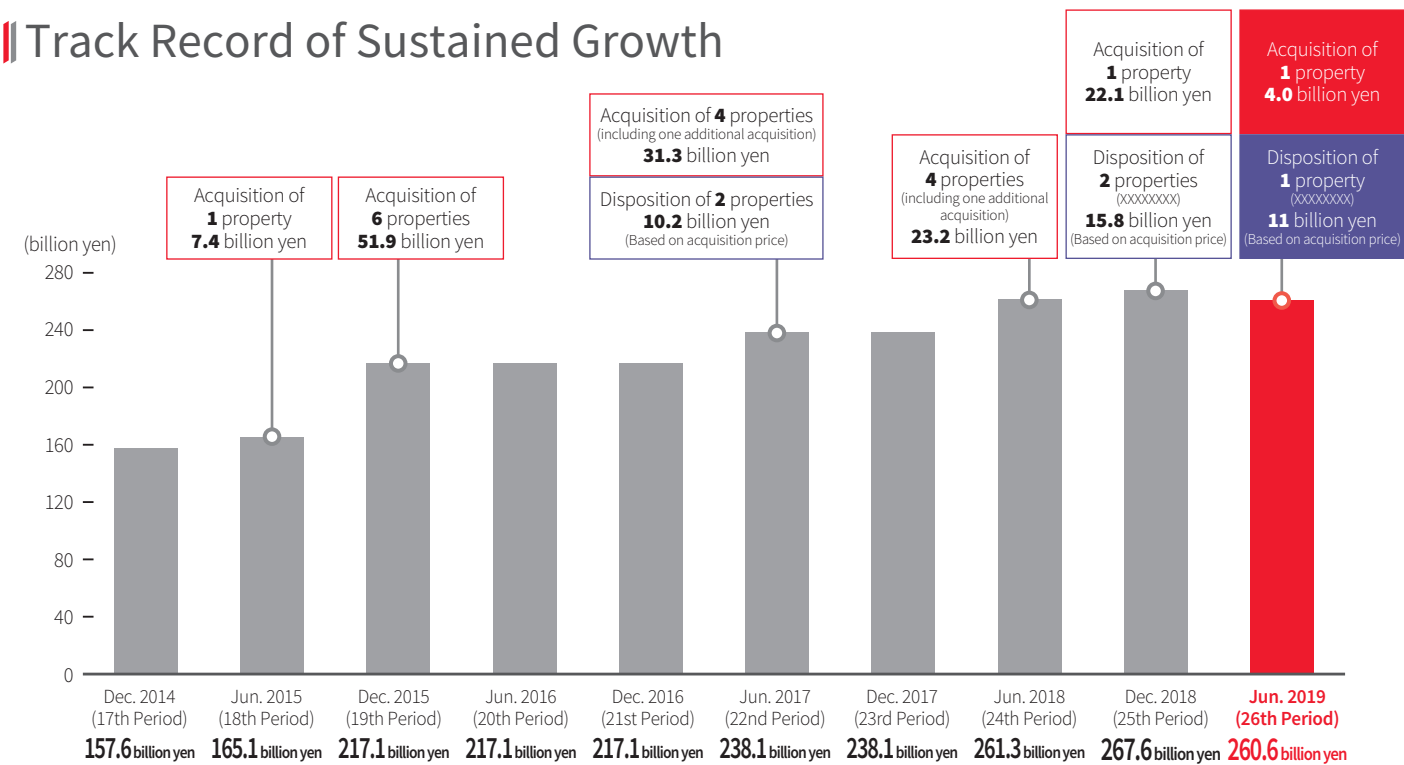
Property disposed in the 26th Fiscal Period



Matsushita IMP Bldg. Disposed on March 8, 2019

Location	Chuo-ku, Osaka
Type of specified asset	Trust beneficiary interest in real estate (45% quasi co-ownership)
Disposition price	12,150 million yen

Track Record of Sustained Growth



Internal reserves

Executed to dispose Matsushita IMP Bldg. in two parts. Gain on disposition to be partly paid out as distribution and partly retained for future stable distribution

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

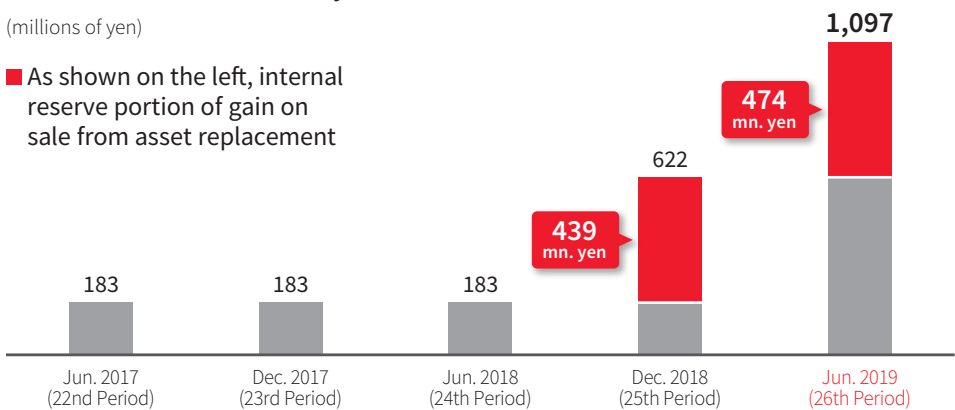
- Reduction in distributions to be attributable to growth investments in major renovations and reconstruction works
- Responding to temporary dilution of distributions due to capital increase during the period

Reserve per unit **667** yen at the end of 26th Period

Reserve for reduction entry

(millions of yen)

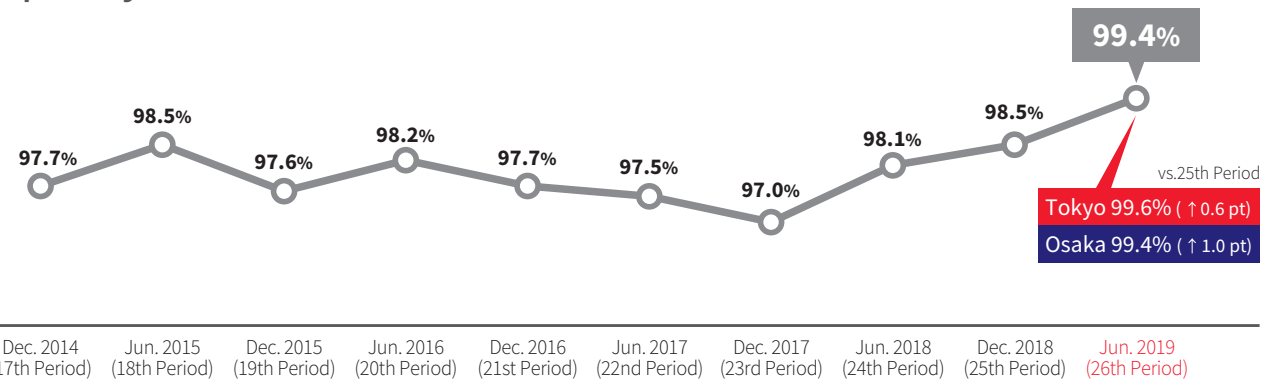
- As shown on the left, internal reserve portion of gain on sale from asset replacement



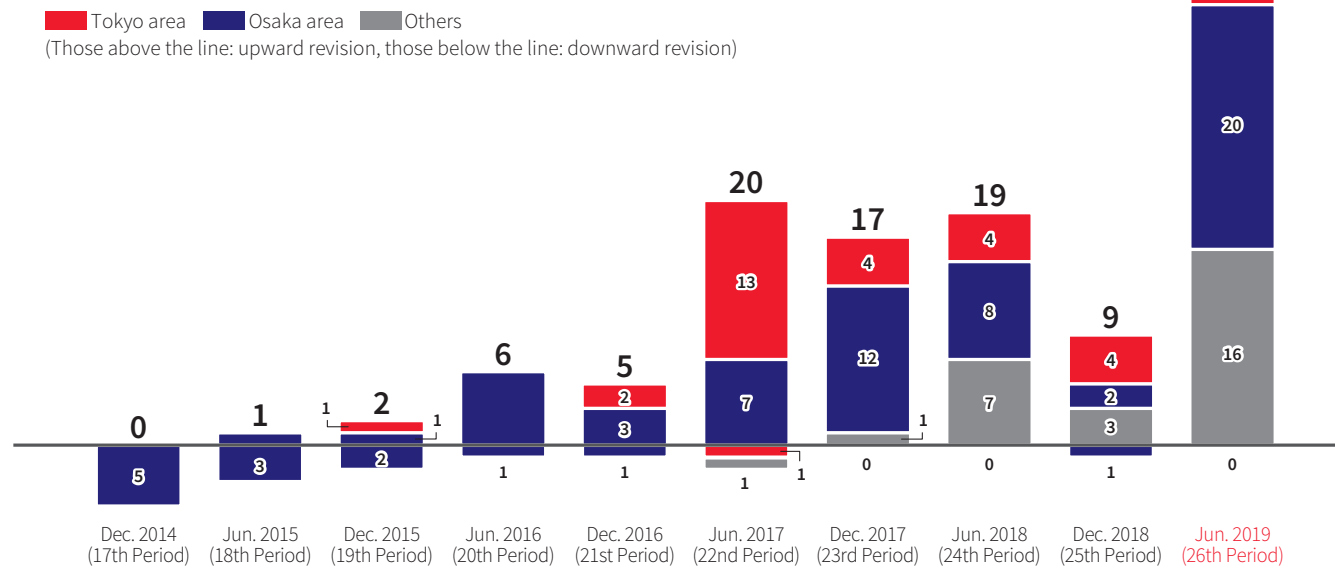
(Note) The balance of the reserve for reduction entry is calculated using the amount obtained by deducting the reversal of the reserve for reduction entry or adding the accumulated reserve for reduction entry to the period-end balance of the reserve for reduction entry on the balance sheet each period.

Internal Growth Strategy

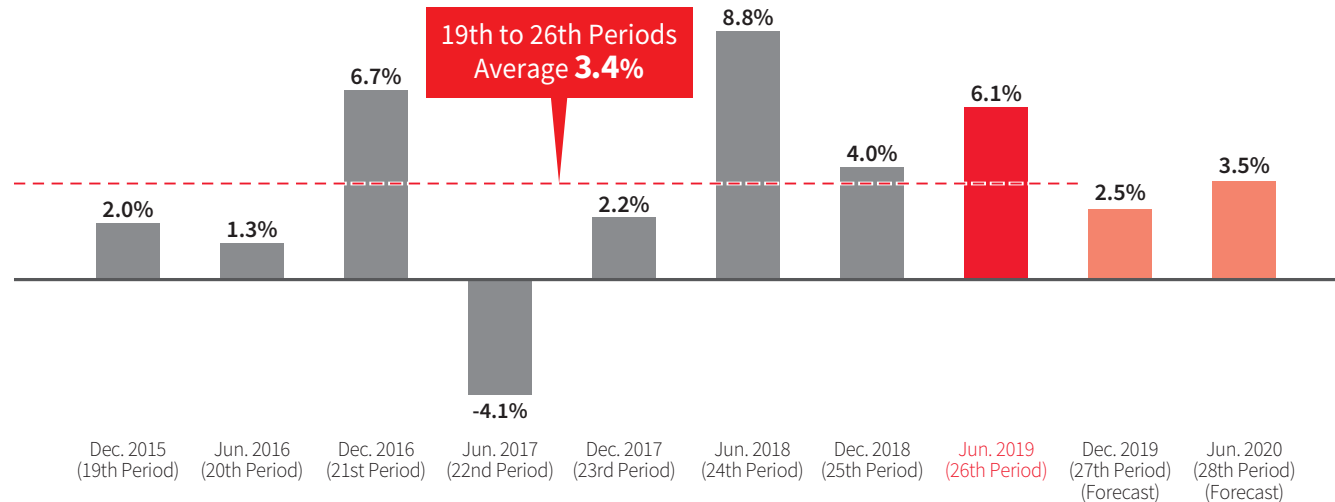
Occupancy Rate



Number of Rent Revisions in Lease Agreements



Annualized LFL NOI Growth



(Note) 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.

Financial Strategy

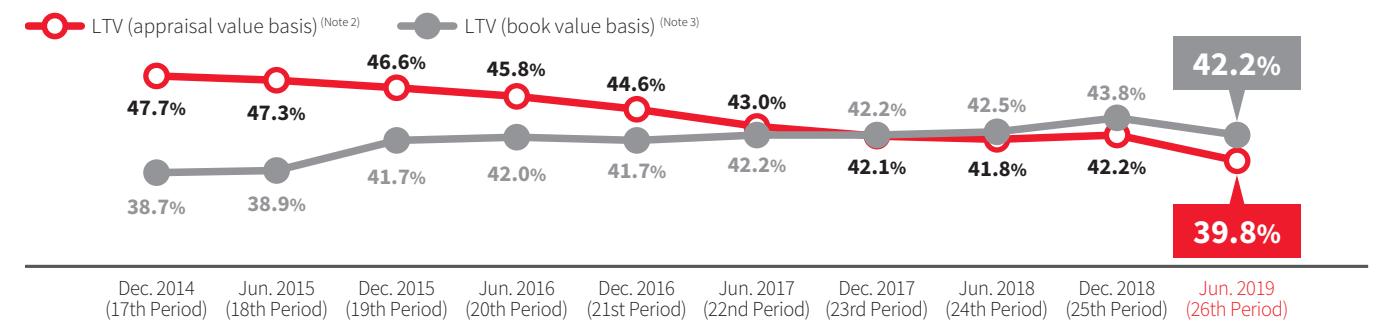
Financial Highlights (as of June 30, 2019)

Short-term loans payable	–
Long-term loans payable ^(Note 1)	107,975 million yen
Investment corporation bonds	8,000 million yen
Total interest-bearing liabilities	115,975 million yen

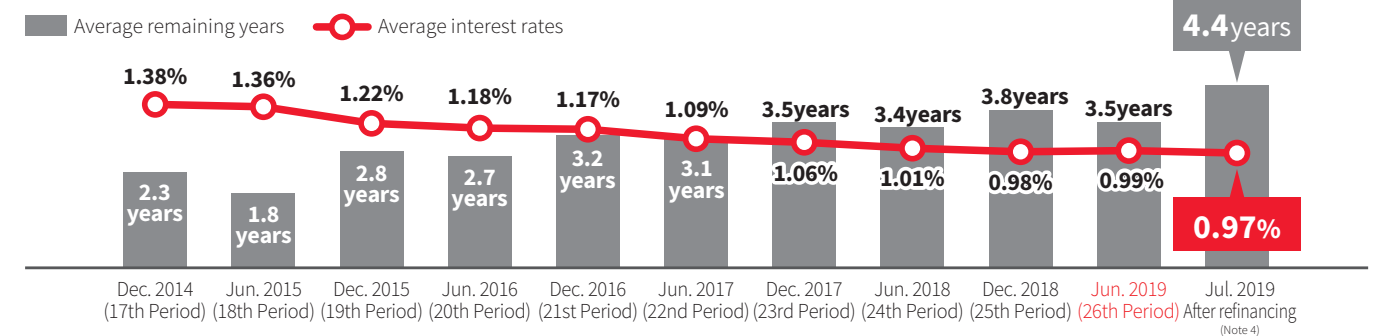
Status of Issuer Credit Ratings

Japan Credit Rating Agency, Ltd. (JCR)	AA– (Stable)
Rating and Investment Information, Inc. (R&I)	A (Positive)

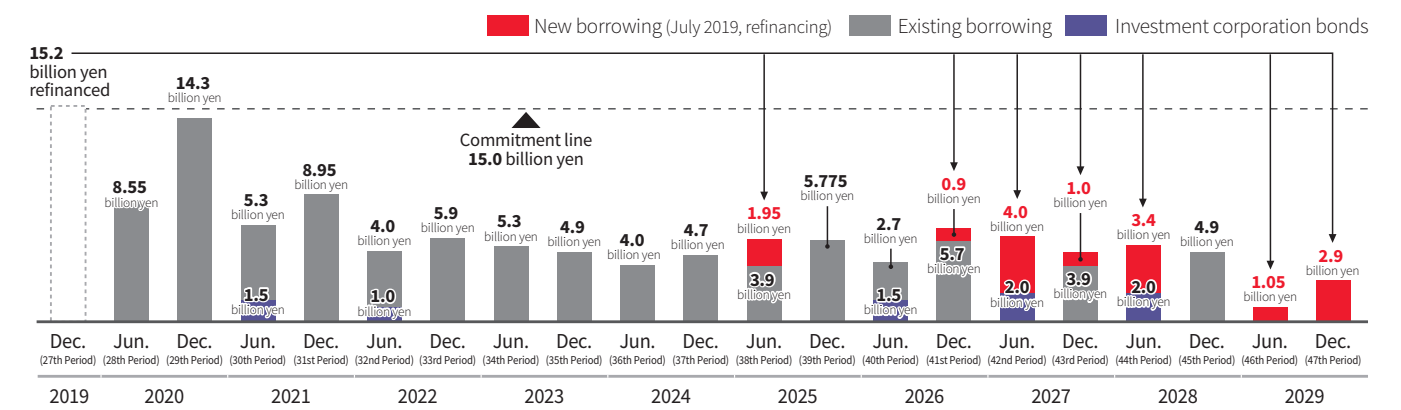
Historical LTV



Average Remaining Years of Interest-Bearing Liabilities and Average Interest Rates



Diversification of Debt Maturities (as of July 31, 2019)



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

(Note 2) LTV (appraisal value basis) = Total interest-bearing liabilities / (Total assets + Appraisal value of portfolio properties – Book value of portfolio properties)

(Note 3) LTV (book value basis) = Total interest-bearing liabilities / Total assets

(Note 4) Calculated taking into account the refinancing of existing borrowings, as of July 2019. Moreover, the average interest rate is based on assumptions for the fiscal period ending December 31, 2019.

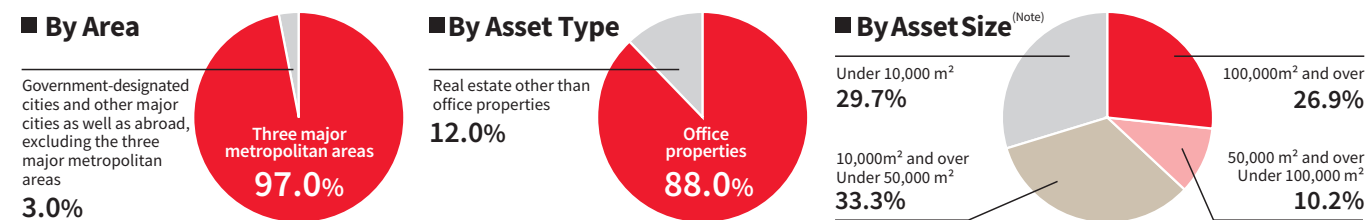
Portfolio Overview

Portfolio Overview

Investment Area		Property Name	Location	Acquisition Price (million yen)	Investment Ratio (%)	Acquisition Date	Leasable Space (m²)	Occupancy Rate (%) (Note 1)
■ Office Properties								
Three major metropolitan areas	Tokyo area	Sumitomo Fudosan Ueno Bldg. No. 6	Taito-ku, Tokyo	7,460	2.9	May 2015	6,858.16	100.0
		G-Square Shibuya Dogenzaka	Shibuya-ku, Tokyo	12,220	4.7	Aug. 2015	5,010.68	100.0
		Shibuya Sakuragaoka Square	Shibuya-ku, Tokyo	17,130	6.6	Aug. 2015 Feb. 2017	6,379.66	100.0
		Yokohama Creation Square	Kanagawa-ku, Yokohama	7,080	2.7	Aug. 2015	12,706.18	98.2
		Cube Kawasaki	Kawasaki-ku, Kawasaki	20,050	7.7	Aug. 2015	24,494.06	100.0
		Higashi-Nihombashi Green Bldg.	Chuo-ku, Tokyo	2,705	1.0	Dec. 2015	3,254.77	100.0
		Sasazuka Center Bldg.	Shibuya-ku, Tokyo	8,700	3.3	Mar. 2017	8,239.17	100.0
		USC Bldg.	Koto-ku, Tokyo	10,800	4.1	Apr. 2017 Feb. 2018	12,489.08	93.9
		Yoshiyasu Kanda Bldg.	Chiyoda-ku, Tokyo	4,000	1.5	Feb. 2018	3,149.30	100.0
		TOYOTA MOBILITY SERVICE Bldg.	Chuo-ku, Tokyo	9,200	3.5	Mar. 2018	6,123.81	100.0
		M-City Akasaka 1-chome Bldg.	Minato-ku, Tokyo	4,205	1.6	Mar. 2018	2,581.62	100.0
		Yokohama i-land Tower	Naka-ku, Yokohama	22,100	8.5	Sep. 2018	25,460.50	100.0
		M-City Edogawabashi Bldg.	Bunkyo-ku, Tokyo	4,070	1.6	Mar. 2019	3,472.70	100.0
	Osaka area	Twin 21	Chuo-ku, Osaka	68,700	26.4	Aug. 2006	82,304.84	99.2
		MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	1.3	Apr. 2007	4,277.63	100.0
Kitahama MID Bldg.		Chuo-ku, Osaka	10,800	4.1	Apr. 2008	10,189.49	100.0	
MID Nishihommachi Bldg.		Nishi-ku, Osaka	3,550	1.4	Oct. 2008	3,881.74	100.0	
Higobashi MID Bldg.		Nishi-ku, Osaka	3,000	1.2	Jun. 2013	4,655.57	100.0	
Others	Other major cities	Sendai Capital Tower	Aoba-ku, Sendai	5,500	2.1	Feb. 2017	12,997.45	95.8
Subtotal (19 office properties)				224,540	86.2		238,526.41	99.1
■ Other than office properties								
Three major metropolitan areas	Tokyo area	AEON MALL Tsudanuma	Narashino-shi, Chiba	26,100	10.0	Aug. 2006	101,210.44	100.0
	Osaka area	Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	1.1	Aug. 2006	9,586.26	100.0
Others	Other major cities	Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	0.9	Sep. 2013	5,554.91	100.0
Subtotal (3 properties for applications other than offices)				31,160	12.0		116,351.61	100.0
Subtotal				255,700	98.1		354,878.02	99.4
■ Silent partnership interests related to office buildings								
Three major metropolitan areas	Nagoya area	Nagoya Lucent Tower (Silent partnership interest) ^(Note 2)	Nishi-ku, Nagoya	4,919	1.9	Aug. 2015	-	-
Total (23 properties as of Jun. 30, 2019)				260,619	100.0		354,878.02	99.4

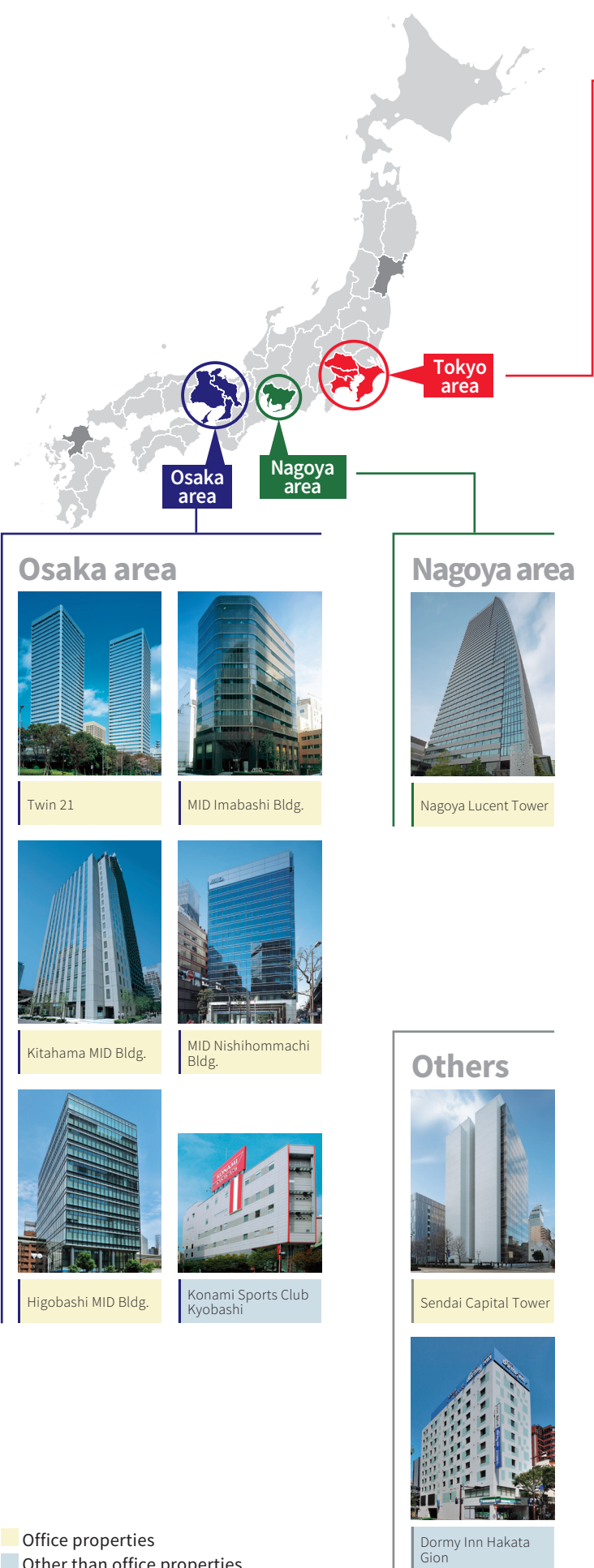
(Note 1) "Occupancy Rate" is presented as percentage figures, which are obtained by dividing the leased space as of June 30, 2019 by the leasable space.
(Note 2) Nagoya Lucent Tower is a silent partnership interest with R40 GK as the operator (Silent Partnership Interest B in R40 GK; equity interest: 40%), backed by the trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower as the asset in trust, acquired on August 3, 2015.

Portfolio Diversification (Based on acquisition price, after asset replacement in June 2019)

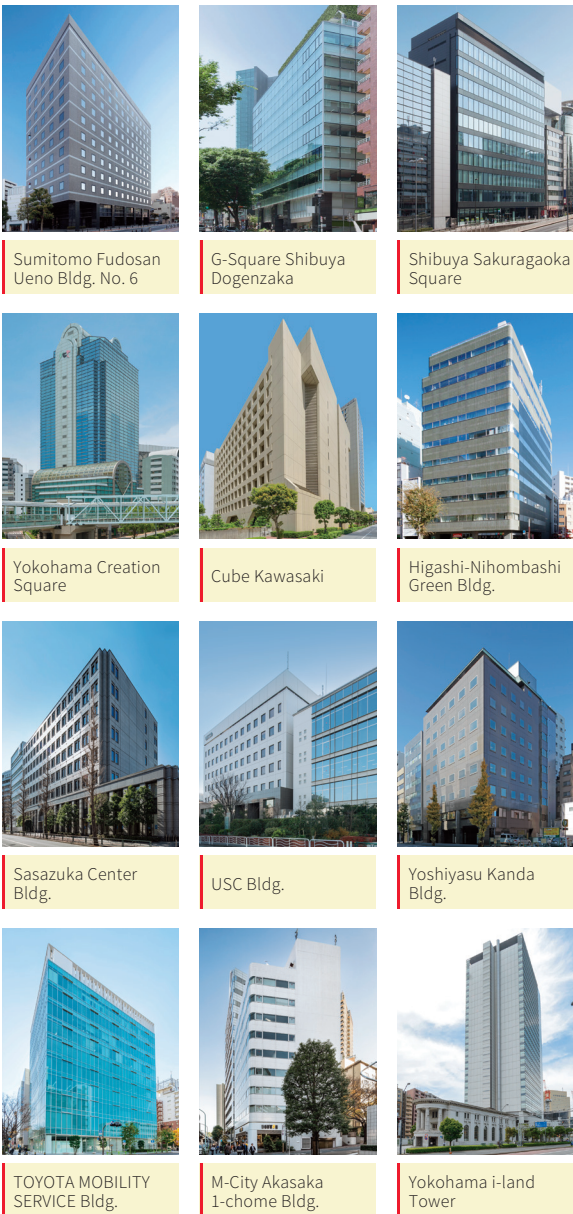


(Note) Excluding silent partnership interests.

Portfolio Map



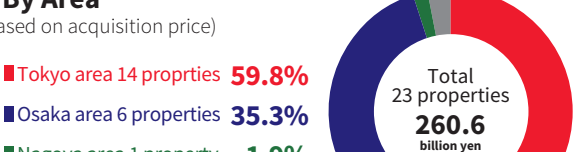
Tokyo area



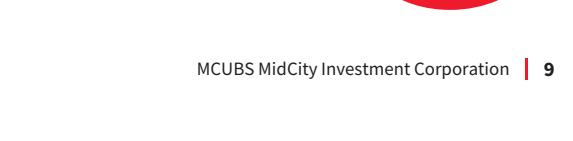
Osaka area



Nagoya area

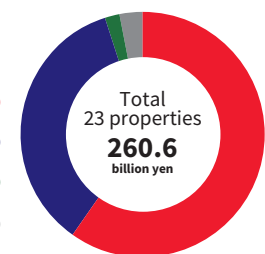
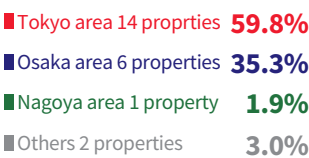


Others



By Area

(Based on acquisition price)



ESG Initiatives

MCUBS MidCity shares with the Asset Management Company an approach to sustainability that integrates investment and management processes that, in turn, take into account Environmental, Social and Governance (ESG) factors.

ESG Report

The ESG Report published by MC-UBS disclosed on detailed ESG-related information, bringing together for all of the corporations under management by the Group, including MCUBS MidCity Investment Corporation, in one document. We urge you to take the time to look at it.



ESG Index



In December 2018, MCUBS MidCity Investment Corporation was included in the MSCI Japan ESG Select Leaders Index, an index selected the Government Pension Investment Fund (GPIF) as an ESG index for passive investment.

In March 2019, we became the only J-REIT to obtain an “AA” ESG rating.

*The inclusion of MCUBS MidCity Investment Corporation in any MCSI index, and the use of MCSI logos, trademarks, service marks or index names herein, does not indicate a sponsorship, endorsement or promotion of MCUBS MidCity Investment Corporation by MCSI or any of its affiliates. The MCSI indexes are the exclusive property of MCSI. MCSI and the MCSI index names and logos are trademarks or service marks of MCSI or its affiliates.

Environmental Initiatives

Designated as the Highest Rank “Green Star” for Three Consecutive Years

For the first time, MCUBS MidCity received **five stars** for the GRESB, which is a comparative assessment-based rating system with five assessment tiers.

- | | |
|-------------------------|---|
| <p>Points evaluated</p> | <ul style="list-style-type: none"> Highly evaluated in the aspects of “Management” and “Policy and Disclosure” Significantly improved the scores of “Stakeholder Engagement” and “Performance Indicators” |
|-------------------------|---|



Assignment with Environmental Certification and Assessment

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

★★★★

Kitahama MID Bldg.

★★★

G-Square Shibuya Dogenzaka
Shibuya Sakuragaoka Square
TOYOTA MOBILITY SERVICE Bldg.
Higobashi MID Bldg.



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

Rank A

G-Square Shibuya Dogenzaka
Rank A (under the local government reporting system)

Higobashi MID Bldg.

Rank B+

Shibuya Sakuragaoka Square



Low-Carbon Small and Medium-Sized Model Building

A2

Sumitomo Fudosan Ueno Bldg. No.6

A1

USC Bldg.

DBJ Green Building Certification

★★★★

Twin 21
Kitahama MID Bldg.
Higobashi MID Bldg.



Social Initiatives

Interactions with tenants

Uchimizu (watering) event

We organize events and opportunities for local interaction at some of our properties, for the benefit not only of office workers, but also of local communities and visitors. In July 2019, we hosted a water sprinkling event at G-Square Shibuya Dogenzaka using recycled water, further deepening understanding of environmental issues.



Communication with Investors

Best IR Award for Encouragement

In November 2018, the Asset Management Company received “Best IR Award for Encouragement” in The 2018 IR Award (23rd) organized by The Japan Investor Relations Association.

As a result of winning this award, the IR activities of MCUBS MidCity Investment Corporation were presented at the 67th Meeting for Small and Medium-Cap Stocks, which is hosted by the Association.



Governance Initiatives

Executive Officers Supporting Governance

- Consists of **third parties** independent of the Asset Management Company
- Board of Directors meetings are a venue for lively discussions, and **function as checks** on the Asset Management Company
- Increase the number of supervisory directors by one** for the purpose of further strengthening the governance structure.

Executive Director **Katsuhiko Tsuchiya** (second from the left)

Leverages his knowledge and experience as a legal specialist to perform his duties

Supervisory Director **Haruo Kitamura** (right)

Makes good use of his expert knowledge and experience in accounting and finance to supervise the execution of business

Supervisory Director **Osamu Ito** (left)

Utilizes his insights and experience as an authority in the legal field to oversee the execution of duties

Supervisory Director **Kyoko Nagata** **NEW** (second from the right)

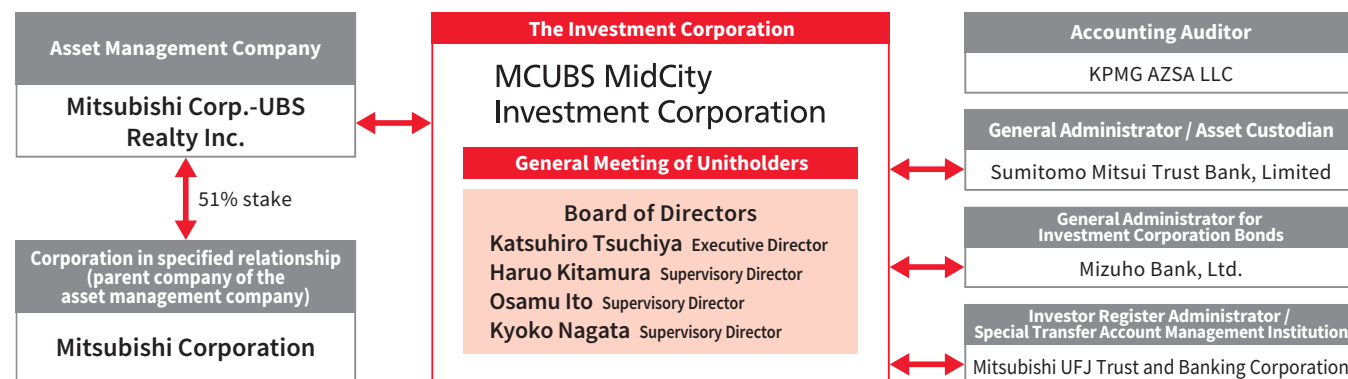
Makes good use of his expert knowledge and experience in accounting and finance to supervise the execution of business



Overview of Investment Corporation / Asset Management Company

Effective July 1, 2019, the asset management company absorbed MCUBS MidCity Inc., the previous asset management company, and now performs asset management for MCUBS MidCity Investment Corporation.

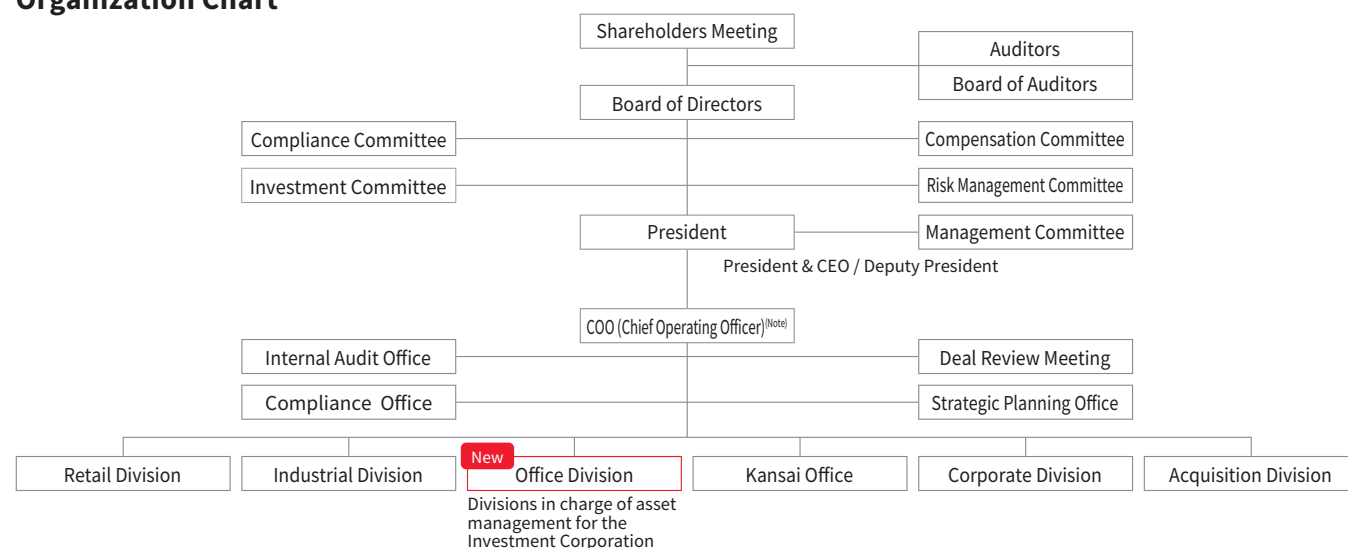
Structure of MCUBS MidCity (As of July 1, 2019)



Overview of the Asset Management Company (As of July 1, 2019)

Name	Mitsubishi Corp.-UBS Realty Inc.
Location	2-7-3 Marunouchi, Chiyoda-ku, Tokyo
Paid-in capital	500 million yen
Shareholders	Mitsubishi Corporation 51%, UBS Asset Management AG 49%
Representative	Katsuji Okamoto, President & CEO
Business Description	Investment management business

Organization Chart



(Note) The Chief Operating Officer (COO) concurrently serves as the Director responsible for compliance.

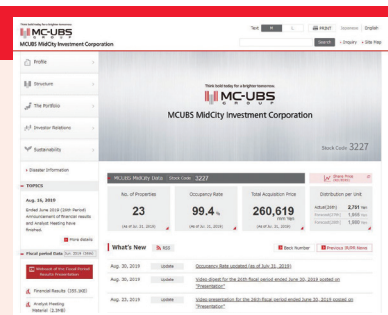
MCUBS MidCity Website

The website of MCUBS MidCity Investment Corporation offers a service to inform you of the latest IR information via e-mail. In addition, the website is designed to enhance convenience in obtaining the necessary information as well as enrich content sought by investors.

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



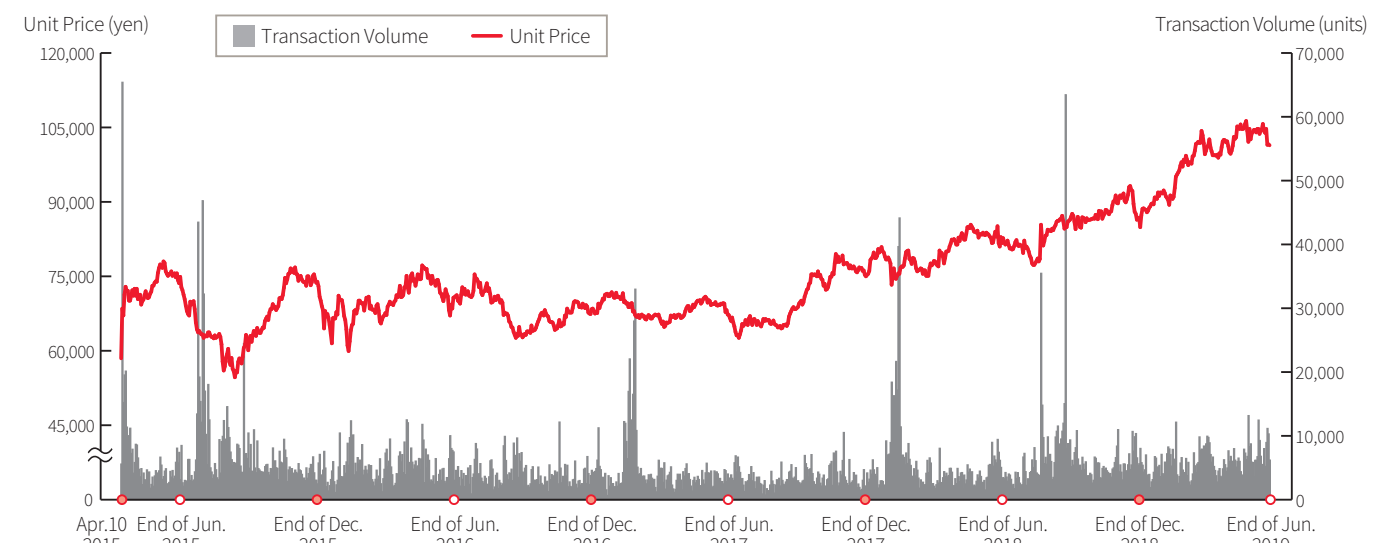
Please see our website using the QR code.



Investment Unit Status / Unitholder Information

Unit Price Performance

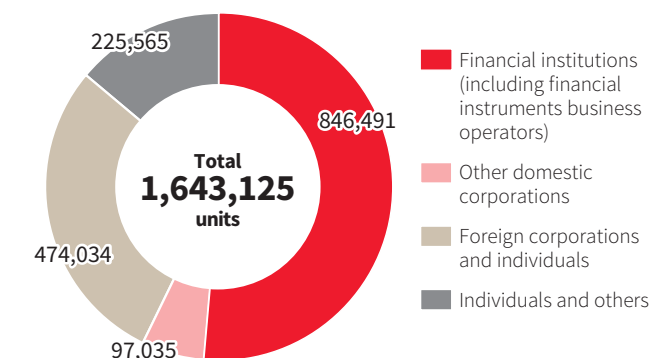
The following is the history of investment unit prices (closing prices) and transaction volumes of MCUBS MidCity on the Tokyo Stock Exchange from April 10, 2015 to June 30, 2019.



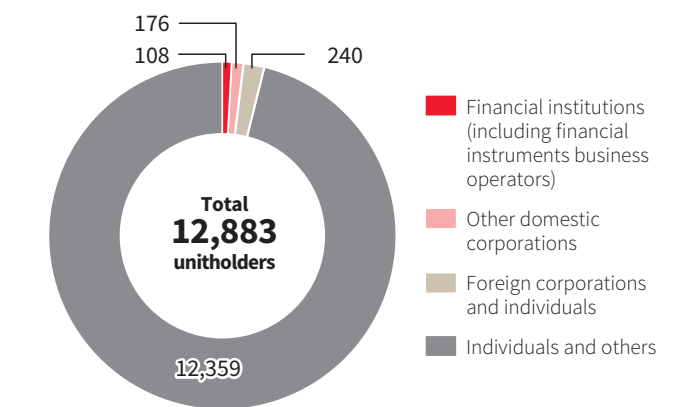
(Note) To reflect the five-for-one split of the investment units of MCUBS MidCity implemented with December 31, 2017 as the record date, the investment unit price prior to the split is one-fifth of the actual price and the transaction volume prior to the split is the actual volume multiplied by five.

Breakdown of Unitholders

Number of Units by Investor Type



Number of Unitholders by Investor Type



Announcements of Fiscal Period Results

