

Translation

MCUBS MIDCITY INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

February 20, 2020

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:	Katsuhiro Tsuchiya, Executive Director
Name of asset manager:	Mitsubishi Corp.- UBS Realty Inc.
Representative of the asset manager:	Katsuji Okamoto, President & CEO
Contact:	Katsura Matsuo, Head of Office Division Tel: (03)5293-4150
Scheduled date for filing of securities report:	March 26, 2020
Scheduled date for distributions payment:	March 24, 2020
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, 2019 (July 1, 2019 to December 31, 2019)

(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, 2019	8,569	(16.6)	3,983	(29.4)	3,389	(32.1)	3,388	(32.1)
June 30, 2019	10,279	(4.8)	5,638	5.8	4,994	8.1	4,994	8.1

	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, 2019	2,023	2.3	1.2	39.6
June 30, 2019	3,039	3.5	1.8	48.6

(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, 2019	1,955	3,487	—	—	102.9	2.2
June 30, 2019	2,751	4,520	—	—	90.5	3.2

Note 1: Total distributions for the six months ended December 31, 2019 consist of unappropriated retained earnings at the end of period after reversal of reserve for reduction entry of property amounting to ¥98 million.

Note 2: Total distributions for the six months ended June 30, 2019 consist of unappropriated retained earnings at the end of period after transferring ¥474 million to reserve for reduction entry of property.

Note 3: Payout ratio for the six months ended December 31, 2019 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 June 30, 2019 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, 2019	301,075	156,027	51.8	87,453
June 30, 2019	274,736	142,070	51.7	86,463

(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, 2019	3,585	(27,892)	21,544	14,436
June 30, 2019	16,534	(4,532)	(11,080)	17,199

2. Outlook for the six months ending June 30, 2020 (January 1, 2020 to June 30, 2020) and December 31, 2020 (July 1, 2020 to December 31, 2020)

(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, 2020	9,109	6.3	4,246	6.6	3,624	6.9	3,623	6.9
December 31, 2020	9,138	0.3	4,256	0.2	3,642	0.5	3,641	0.5

	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, 2020	2,030	2,030	—
December 31, 2020	2,040	2,040	—

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, 2019 1,784,125 units

As of June 30, 2019 1,643,125 units

Number of treasury units at end of period:

As of December 31, 2019 0 unit

As of June 30, 2019 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 22.

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 “1. Results of Operations, (2) Outlook of Next Fiscal Period, B. Outlook for Business” on page 5.

1. Results of Operations

(1) Overview of the Fiscal Period under Review

A. Brief background to MCUBS MidCity

MCUBS MidCity Investment Corporation (hereinafter “MCUBS MidCity”) was established on June 1, 2006 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (hereinafter the "Investment Trust Act"), and was listed on the Tokyo Stock Exchange, Inc.'s Real Estate Investment Trust Section (Securities Code: 3227) on August 29, 2006.

From a medium-to long-term perspective, MCUBS MidCity's basic policy is aim to secure stable revenues and steady growth of assets under management. MCUBS MidCity mainly invests in office properties, and invests in the three major metropolitan areas which are Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto, and Hyogo Prefectures), and Nagoya metropolitan area (Aichi Prefecture), as its portfolio building policy.

Since MCUBS MidCity began investing in 9 properties in 2006 at a total acquisition price of ¥146,650 million, MCUBS MidCity has achieved steady growth in assets through continuous acquisition of properties. As of December 31, 2019, the portfolio of MCUBS MidCity was comprised of 26 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting of ¥287,629 million.

B. Investment Environment and Management Results

In the fiscal period under review (27th fiscal period: July 1, 2019 to December 31, 2019), MCUBS MidCity issued new investment units and raised funds through new borrowings in November 2019 with the aim of continuing to increase unitholder value through aggressive initiatives undertaken to date. As a result, MCUBS MidCity newly acquired a total of 3 properties: East Square Tokyo (acquisition price: ¥9,500 million) and Hotel Vista Premio Tokyo (acquisition price: ¥11,200 million) located in the Tokyo area, and Osaka YM Bldg. (acquisition price: ¥6,310 million) located in the Osaka area. We are confident that we have been able to make carefully selected investments with strong focus on location, quality and profitability through exclusive negotiation. As of the end of the 27th fiscal period, MCUBS MidCity's portfolio was comprised 26 properties at a total acquisition price of ¥287,629 million. The investment ratio (based on the acquisition price) of which are distributed in terms of geographic region was 97.3% in the three major metropolitan areas (including 61.4% in the Tokyo area, 34.2% in the Osaka area, and 1.7% in the Nagoya area), 2.7% in other areas, and are distributed in terms of property type was 85.3% in office properties and 14.7% in others.

The occupancy rate at the end of the 27th fiscal period stood at 98.6% (99.4% at the end of the previous fiscal period), as vacancy rates continued to decline and rent levels continued to rise moderately in the office leasing market, and as a result of the acquisition of 3 properties with value enhancement potential, including some vacancies. The total leasable area was 381,318.47 m², and the number of tenants was 411.

MCUBS MidCity shares the view on sustainability, in particular ESG (Environment, Social and Governance) recently attracting attention, with the asset management company striving to respond to responsibility concerning the environment and society based on the “Environmental Charter” and the “Basic Policy on Responsible Real Estate Investment”, and proactively promotes such efforts together with the asset management Company. Regarding environmental issues in particular, we have also been participating in GRESB (Global Real Estate Sustainability Benchmark) and was designated as the highest ranking "Green Star" in the real estate evaluation for 4 consecutive years, and have also received 5-star evaluation in the "GRESB rating" (5-level evaluation) based on the relative evaluation. In addition, since December 2018, we have been included in the MSCI Japan ESG Select Leaders Index, and have received an ESG rating of "AA." In the 27th fiscal period, G-Square Shibuya Dogenzaka has received J-REIT's first certification for “CASBEE for Smart Wellness Office.” As of the end of the 27th fiscal period, 3 properties were certified under DBJ Green Building certification, 4 were certified under CASBEE for real estate certification, 5 were certified under BELS (Building-Housing Energy-efficiency Labeling System), and 2 were certified under Tokyo Low-Carbon Small and Medium-Sized Model Building.

C. Overview of Fund Procurement

i. Issuance of New Investment Units

During the 27th fiscal period, MCUBS MidCity implemented additional issuance of new investment units through public offering with the payment date on November 19, 2019 (134,000 units) and through third-party allotment with the payment date of December 17, 2019 (7,000 units), to partly fund the new acquisition of 3

properties (total acquisition price: ¥27,010 million) made in November 2019. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 1,784,125 investment units.

ii. Debt Financing

In the 27th fiscal period, MCUBS MidCity borrowed a total of ¥15,200 million on July 31, 2019 to refinance. MCUBS MidCity has realized reduction of financial costs while further diversifying maturity dates and extending borrowing periods. In addition, as of November 21, 2019, MCUBS MidCity newly borrowed totaling ¥11,000 million to partly fund the new acquisition of 3 properties in November 2019. As of the end of the 27th fiscal period, MCUBS MidCity had borrowed ¥118,975 million from 19 financial institutions, and the outstanding amount of investment corporation bonds was ¥8,000 million. The ratio of interest-bearing debt to total assets (hereinafter referred to as "LTV") was 42.2%, the ratio of long-term debt was 100.0% (including long-term debt due within 1 year), and the ratio of fixed interest rates was 89.1% (including fixed interest rates under interest rate swap agreements).

On September 26, 2019, the R&I rating was upgraded from A to A+. The rating of the MCUBS MidCity as of the end of the 27th fiscal period was as follows:

Credit rating agencies	Issuer rating	Rating outlook
Japan Credit Rating Agency, Ltd. (JCR)	AA-	Stable
Rating and Investment Information, Inc. (R&I)	A+	Stable

D. Overview of Business Performance and Distribution

As a result of the management described above, MCUBS MidCity recorded operating revenue of ¥8,569 million, operating income of ¥3,983 million, ordinary income of ¥3,389 million, and net income of ¥3,388 million.

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 all of unappropriated retained earnings after reversal of a portion of reserve for reduction entry of property amounting to ¥98 million. Accordingly, MCUBS MidCity declared distribution per unit of ¥1,995.

(2) Outlook of Next Fiscal Period

A. Future Asset Management Policies and Challenges to Address

MCUBS MidCity aims to secure stable revenues and steady growth of assets under management as follows.

i. Internal Growth Strategy

MCUBS MidCity will formulate optimal medium-to long-term management strategies for each property and maximize cash flows based on these strategies.

In order to attract new tenants, MCUBS MidCity will work closely with property management contractors (hereinafter referred to as "property management companies") and office rental agencies to develop plans for attracting tenants tailored to the location and characteristics of each real estate under management, and steadily secure tenants by utilizing the unique routes owned by property management companies. Also, as follow-up activities for existing tenants, under the supervision of the asset management company, MCUBS MidCity collaborates with the property management company and the contractor for building management (hereinafter referred to as the "building management company") to create a database of tenants' requests, etc., conduct annual tenant satisfaction surveys, and actively exchange opinions with tenants' managers, etc. In response, MCUBS MidCity provides solutions such as facility renovation to improve tenant satisfaction, and make proposals for appropriate floor expansion, etc., in a timely manner.

In addition, under the supervision of the asset management company, in order to maintain and improve the earnings and asset value of the assets under management in the medium to long term, MCUBS MidCity aim to minimize operation management costs while maintaining management quality by implementing lifecycle

management in the operation management stage in collaboration with the property management company and the building management company.

ii. External Growth Strategy

MCUBS MidCity will promote external growth in order to reduce investment management costs through the economies of scale and to reduce the risk of fluctuations in revenues through the effects of the portfolio, such as the diversification of investment assets. As a strategy for realizing external growth, MCUBS MidCity will pursue opportunities to acquire real estate based on information provided by the sponsor companies and group companies and its own network.

As for the targeted areas to be invested, MCUBS MidCity is considering the acquisition of investment assets with a focus on office properties in the three major metropolitan areas, and from the standpoint of securing more opportunities to acquire properties and diversifying 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. In addition, as for the investment target in terms of property type, although MCUBS MidCity invests primarily in office properties, from the viewpoint of securing more opportunities to acquire properties and diversifying investment, MCUBS MidCity's investment targets also include real estate other than office properties (however, no new investment will be made as to retail properties and industrial properties).

iii. Financial Strategy

With the aim of maintaining financial stability, MCUBS MidCity will continue its efforts to maintain conservative LTV levels, raise stable funds, diversify maturity dates for interest-bearing debt, and promote the participation of new lending financial institutions. In addition, MCUBS MidCity will respond to interest rate fluctuation risks by adopting fixed interest rates in accordance with interest rate trends.

B. Outlook for Business

i. Important Matters Subsequent to the End of the Fiscal Period

Not applicable.

ii. Financial Outlook

The business forecasts for the fiscal period ending June 30, 2020 (January 1, 2020 to June 30, 2020) and the business forecasts for the fiscal period ending December 31, 2020 (July 1, 2020 to December 31, 2020) are prepared based on the following " Assumptions for the Business Forecast for the Fiscal Period Ending June 30, 2020 (28th Fiscal Period: January 1, 2020 to June 30, 2020) and Fiscal Period Ending December 31, 2020 (29th Fiscal Period: July 1, 2020 to December 31, 2020)"

Assumptions for the Business Forecast
for the Fiscal Period Ending June 30, 2020 (28th Fiscal Period: January 1, 2020 to June 30, 2020)
and the Fiscal Period Ending December 31, 2020 (29th Fiscal Period: July 1, 2020 to December 31, 2020)

Item	Assumption
Asset under management	<ul style="list-style-type: none"> • The assumption is that MCUBS MidCity holds 26 properties (including silent partnership interests) as of December 31, 2019, and that there will be no changes in assets under management (acquisition of new properties, disposition of existing properties, etc.) until the end of December 2020. • Actual results may fluctuate due to changes in the property portfolio and other factors.
Operating revenue	<ul style="list-style-type: none"> • Rental revenue is calculated based on the lease agreements in force as of today, taking into account the market environment, the characteristics of each property, the competitiveness of each property, and the situation of each tenant. • Operating revenue is based on the assumption that there is no arrears or nonpayment of rents by tenants. • Dividend income from silent partnership interests is calculated reflecting a forecast about occupancy of real estate that is a source of cash flow.
Operating expenses	<ul style="list-style-type: none"> • Of the expenses related to rental business, which are the main operating expenses, expenses other than depreciation are calculated based on historical data and reflecting seasonal factors and other cost fluctuation factors. • Property management fees are assumed to be ¥914 million for the fiscal period ending June 30, 2020 and ¥927 million for the fiscal period ending December 31, 2020. • Utilities expenses are assumed to be ¥609 million for the fiscal period ending June 30, 2020 and ¥659 million for the fiscal period ending December 31, 2020. • Fixed asset taxes, city planning taxes and depreciable asset taxes (hereinafter referred to as "fixed asset taxes, etc.") are assumed to be ¥719 million for the fiscal period ending June 30, 2020 and ¥758 million for the fiscal period ending December 31, 2020. • Repairs of buildings are expensed in the amount expected to be required during the respective accounting fiscal periods. Repair and maintenance expenses are assumed to be ¥322 million for the fiscal period ending June 30, 2020 and ¥201 million for the fiscal period ending December 31, 2020. 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 assumed to be ¥1,271 million for the fiscal period ending June 30, 2020 and ¥1,317 million for the fiscal period ending December 31, 2020 on a straight-line basis, including incidental expenses and additional future capital expenditures.
Non-operating expense	<ul style="list-style-type: none"> • Interest expenses are assumed to be ¥466 million for the fiscal period ending June 30, 2020 and ¥457 million for the fiscal period ending December 31, 2020. • Borrowing-related expenses are assumed to be ¥126 million for the fiscal period ending June 30, 2020 and ¥129 million for the fiscal period ending December 31, 2020. • Amortization of investment unit issuance costs are assumed to be ¥22 million for the fiscal period ending June 30, 2020 and ¥19 million for the fiscal period ending December 31, 2020.
Interest-bearing debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt is assumed to be ¥126,975 million at the end of June 2020 and ¥126,975 million at the end of December 2020. • The scheduled repayments in the fiscal period ending June 30, 2020 of ¥8,550 million (due on January 31, 2020) have been refinanced by the same amount.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> • It is assumed that the total number of investment units issued and outstanding is 1,784,125 units, which is the number as of today. • The assumption is that there will be no additional issuance of new investment units until the end of the fiscal period ending December 2020.
Distribution per unit	<ul style="list-style-type: none"> • Distributions per unit is calculated on the basis of the cash distribution policy set forth in the Article of Incorporation of MCUBS MidCity. • Distribution per unit may change due to various factors, including changes in assets under management, fluctuations in rental income resulting from changes in tenants, etc., unexpected repairs, interest rate fluctuations, and additional issuance of new investment units.

Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • It is assumed that no cash distributions in excess of earnings (distribution in excess of earnings per unit) will be made.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no revision in laws and regulations, the tax system, accounting standards, the regulations on the listing of securities, or the regulations of the Investment Trusts Association, Japan, etc. that will affect the above forecast figures. • The assumption is that there will be no unexpected material change in general economic trends, real estate market conditions, etc.

2. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	June 30, 2019	December 31, 2019
ASSETS		
Current assets:		
Cash and bank deposits	12,862,061	8,882,197
Cash and bank deposits in trust	4,337,318	5,554,071
Rental receivables	172,809	222,522
Accounts receivable – other	—	10,346
Income taxes receivable	32,332	32,650
Consumption taxes refundable	—	620,628
Prepaid expenses	47,571	59,179
Total current assets	17,452,093	15,381,597
Noncurrent assets:		
Property and equipment:		
Buildings in trust, at cost (Note 1)	75,054,399	80,383,065
Less: Accumulated depreciation	(19,219,593)	(20,375,031)
Buildings in trust, net	55,834,806	60,008,033
Structures in trust, at cost	188,913	258,134
Less: Accumulated depreciation	(28,475)	(34,129)
Structures in trust, net	160,438	224,005
Machinery and equipment in trust, at cost	4,103	4,103
Less: Accumulated depreciation	(2,048)	(2,214)
Machinery and equipment in trust, net	2,055	1,889
Tools, furniture and fixtures in trust, at cost (Note 1)	516,446	520,662
Less: Accumulated depreciation	(364,194)	(381,912)
Tools, furniture and fixtures in trust, net	152,252	138,749
Land in trust	195,353,088	219,361,611
Construction in progress in trust	27,581	29,191
Total net property and equipment	251,530,221	279,763,480
Intangible assets:		
Software	2,611	2,034
Other	—	684
Total intangible assets	2,611	2,719
Investments and other assets:		
Investment securities	5,085,027	5,085,027
Lease and guarantee deposits	10,210	10,210
Long-term prepaid expenses	557,669	703,020
Deferred tax assets	3	0
Total investments and other assets	5,652,910	5,798,258
Total noncurrent assets	257,185,744	285,564,458
Deferred charges:		
Investment corporation bonds issuance costs	56,445	51,066
Investment unit issuance costs	41,815	78,860
Total deferred charges	98,261	129,926
TOTAL ASSETS	274,736,099	301,075,982

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

(Thousands of yen)

	As of	
	June 30, 2019	December 31, 2019
LIABILITIES		
Current liabilities:		
Operating accounts payable	365,271	514,364
Current portion of long-term loans payable	23,750,000	22,850,000
Accounts payable	1,179,279	1,868,076
Accrued expenses	152,678	147,721
Distribution payable	12,691	11,537
Consumption taxes payable	507,959	—
Advances received	1,159,880	1,285,883
Other	605,871	656,521
Total current liabilities	27,733,631	27,334,105
Noncurrent liabilities:		
Investment corporation bonds – unsecured	8,000,000	8,000,000
Long-term loans payable	84,225,000	96,125,000
Tenant leasehold and security deposits	12,706,996	13,589,333
Total noncurrent liabilities	104,931,996	117,714,333
TOTAL LIABILITIES	132,665,628	145,048,438
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	136,452,412	151,540,963
Surplus:		
Voluntary reserve		
Reserve for reduction entry of property	622,708	1,097,233
Total voluntary reserve	622,708	1,097,233
Retained earnings	4,995,350	3,389,348
Total surplus	5,618,059	4,486,581
Total unitholders' equity	142,070,471	156,027,544
TOTAL NET ASSETS (Note 2)	142,070,471	156,027,544
TOTAL LIABILITIES AND NET ASSETS	274,736,099	301,075,982

The accompanying notes in sections (6), (7) and (8) 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, 2019	December 31, 2019
Operating revenues		
Rent revenues—real estate (Note 4)	7,693,769	7,869,468
Other rental business revenues (Note 4)	485,415	536,938
Dividends income	161,560	162,811
Gain on sales of property and equipment (Note 5)	1,938,695	—
Total operating revenues	<u>10,279,441</u>	<u>8,569,219</u>
Operating expenses		
Expenses related to rental business (Note 4)	3,682,666	3,729,088
Asset management fees	824,956	727,860
Asset custody fees	5,970	6,001
Administrative service fees	37,283	36,559
Directors' compensations	11,020	12,180
Other	79,132	74,018
Total operating expenses	<u>4,641,030</u>	<u>4,585,707</u>
Operating income	<u>5,638,411</u>	<u>3,983,511</u>
Non-operating income		
Interest income	81	84
Reversal of distribution payable	1,219	736
Interest on refund	25	43
Settlement money for property tax	757	—
Gain on donation of noncurrent assets (Note 6)	—	684
Other	0	—
Total non-operating income	<u>2,082</u>	<u>1,549</u>
Non-operating expenses		
Interest expenses	423,964	421,278
Interest expenses on investment corporation bonds	22,525	22,525
Borrowing related expenses	130,505	126,198
Amortization of investment corporation bonds issuance costs	5,379	5,379
Amortization of investment unit issuance costs	17,862	19,431
Other	46,229	877
Total non-operating expenses	<u>646,466</u>	<u>595,690</u>
Ordinary income	<u>4,994,027</u>	<u>3,389,370</u>
Extraordinary gain		
Subsidy income	967	—
Total extraordinary gain	<u>967</u>	<u>—</u>
Income before income taxes	<u>4,994,994</u>	<u>3,389,370</u>
Income taxes		
Current	671	608
Deferred	7	3
Total income taxes	<u>678</u>	<u>611</u>
Net income	<u>4,994,316</u>	<u>3,388,758</u>
Retained earnings brought forward	1,033	589
Unappropriated retained earnings	4,995,350	3,389,348

The accompanying notes in sections (6), (7) and (8) 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, 2019

	Unitholders' equity							
	Surplus						Total unitholders' equity	Total net assets
	Unitholders' capital (Note 2)	Voluntary reserve		Retained earnings	Total surplus	Total unitholders' equity		
		Reserve for reduction entry of property	Total voluntary reserve					
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	
<u>Changes during the period</u>								
Provision of reserve for reduction entry of property	—	439,049	439,049	(439,049)	—	—	—	
Dividends from surplus	—	—	—	(4,181,753)	(4,181,753)	(4,181,753)	(4,181,753)	
Net income	—	—	—	4,994,316	4,994,316	4,994,316	4,994,316	
<u>Total changes during the period</u>	—	439,049	439,049	373,514	812,563	812,563	812,563	
Balance as of June 30, 2019	136,452,412	622,708	622,708	4,995,350	5,618,059	142,070,471	142,070,471	

For the six months ended December 31, 2019

	Unitholders' equity							
	Surplus						Total unitholders' equity	Total net assets
	Unitholders' capital (Note 2)	Voluntary reserve		Retained earnings	Total surplus	Total unitholders' equity		
		Reserve for reduction entry of property	Total voluntary reserve					
Balance as of June 30, 2019	136,452,412	622,708	622,708	4,995,350	5,618,059	142,070,471	142,070,471	
<u>Changes during the period</u>								
Issuance of new investment units	15,088,551	—	—	—	—	15,088,551	15,088,551	
Provision of reserve for reduction entry of property	—	474,524	474,524	(474,524)	—	—	—	
Dividends from surplus	—	—	—	(4,520,236)	(4,520,236)	(4,520,236)	(4,520,236)	
Net income	—	—	—	3,388,758	3,388,758	3,388,758	3,388,758	
<u>Total changes during the period</u>	15,088,551	474,524	474,524	(1,606,002)	(1,131,477)	13,957,073	13,957,073	
Balance as of December 31, 2019	151,540,963	1,097,233	1,097,233	3,389,348	4,486,581	156,027,544	156,027,544	

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

(4) Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2019	December 31, 2019
Unappropriated retained earnings	4,995,350,688	3,389,348,179
Reversal of voluntary reserve		
Reversal of reserve for reduction entry of property	—	98,616,196
Cash distribution declared	4,520,236,875	3,487,964,375
<i>(Cash distribution declared per unit)</i>	<i>(2,751)</i>	<i>(1,955)</i>
Voluntary reserve		
Provision of reduction entry of property	474,524,519	—
Retained earnings carried forward	589,294	—

Note:

For the six months ended June 30, 2019

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 unappropriated retained earnings of ¥474,524,519 calculated based on Article 65-7 of the Special Taxation Measures Act of Japan to reserve for reduction entry from unappropriated retained earnings of ¥4,995,350,688 and declared a total of ¥4,520,236,875 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.

For the six months ended December 31, 2019

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 declared a total of ¥3,487,964,375 for cash distributions which consists of all of unappropriated retained earnings of ¥3,389,348,179 at the end of the six months ended 31, 2019 and reversal of reserve for reduction entry of property of ¥98,616,196 calculated based on Article 65-7 of the Special Taxation Measures Act of Japan.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	June 30, 2019	December 31, 2019
Cash flows from operating activities:		
Income before income taxes	4,994,994	3,389,370
Depreciation and amortization	1,220,258	1,193,453
Amortization of long-term prepaid expenses	102,290	93,264
Amortization of investment unit issuance costs	17,862	19,431
Amortization of investment corporation bonds issuance costs	5,379	5,379
Interest income	(81)	(84)
Interest expenses	446,489	443,803
Gain on donation of noncurrent assets	—	(684)
Loss on retirement of noncurrent assets	—	1,405
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	7,829	(49,713)
Decrease (increase) in consumption taxes refundable	—	(620,628)
Increase (decrease) in consumption taxes payable	378,513	(507,959)
Increase (decrease) in operating accounts payable	(215,782)	149,093
Increase (decrease) in accounts payable	45,666	21,251
Increase (decrease) in advances received	57,791	126,003
Decrease (increase) in prepaid expenses	20,833	(11,608)
Payments of long-term prepaid expenses	(14,609)	(238,615)
Decrease in property and equipment in trust due to disposition	9,934,504	—
Other, net	(30,040)	21,631
Subtotal	16,971,900	4,034,791
Interest income received	81	84
Interest expenses paid	(437,682)	(448,759)
Income taxes paid	(2)	(927)
Net cash provided by operating activities	16,534,296	3,585,189
Cash flows from investing activities:		
Purchases of property and equipment in trust	(4,882,863)	(28,789,310)
Purchases of intangible assets	(314)	—
Proceeds from tenant leasehold and security deposits	555,628	1,185,431
Proceeds from tenant leasehold and security deposits in trust	24,352	—
Payments of tenant leasehold and security deposits	(204,598)	(288,471)
Payments of tenant leasehold and security deposits in trust	(713,714)	—
Proceeds from restricted bank deposits in trust	713,714	—
Payments for restricted bank deposits in trust	(24,352)	—
Net cash used in investing activities	(4,532,147)	(27,892,350)
Cash flows from financing activities:		
Repayments of short-term loans payable	(6,900,000)	—
Proceeds from long-term loans payable	—	26,200,000
Repayments of long-term loans payable	—	(15,200,000)
Proceeds from issuance of investment units	—	15,064,704
Dividends paid	(4,180,294)	(4,520,654)
Net cash provided by (used in) financing activities	(11,080,294)	21,544,050
Net change in cash and cash equivalents	921,854	(2,763,111)
Cash and cash equivalents at the beginning of period	16,277,526	17,199,380
Cash and cash equivalents at the end of period (Note 7)	17,199,380	14,436,269

The accompanying notes in sections (6), (7) and (8) 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 and equipment (Including trust assets)

Property and equipment is recorded at cost. Depreciation of property 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 and equipment

Property 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 and equipment for each

calendar year are charged as operating expenses in each fiscal period.

Taxes on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥13,603 thousand and ¥15,993 thousand for the six months ended June 30, 2019 and December 31, 2019, respectively.

(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 rate 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 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) Notes to financial information

Note 1 – Reduction entry of property

Acquisition costs of certain buildings in trust and tools, furniture and fixtures 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, 2019	December 31, 2019
Reduction entry by:		
Government subsidies received		
Buildings in trust	54,864	54,864
Tools, furniture and fixtures in trust	7,279	3,639
Insurance income		
Buildings in trust	68,700	68,700

Note 2 – Unitholders' equity

(1) Number of units

	As of	
	June 30, 2019	December 31, 2019
Authorized	10,000,000 units	10,000,000 units
Issued and outstanding	1,643,125 units	1,784,125 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 June 30, 2019 and December 31, 2019, 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, 2019	December 31, 2019
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 revenues and expenses

Revenues and expenses related to property rental business for the six months ended June 30, 2019 and December 31, 2019 consist of the following:

(Thousands of yen)

	For the six months ended	
	June 30, 2019	December 31, 2019
Rental business revenues:		
Rent revenues—real estate:		
Rental revenues	6,212,051	6,387,919
Common area charges	1,282,606	1,283,208
Parking lots	199,111	198,339
Total rent revenues—real estate	<u>7,693,769</u>	<u>7,869,468</u>
Other rental business revenues:		
Utilities	415,031	451,120
Cancellation penalty	—	4,236
Other	70,383	81,581
Total other rental business revenues	<u>485,415</u>	<u>536,938</u>
Total rental business revenues	<u>8,179,185</u>	<u>8,406,407</u>
Expenses related to rental business:		
Property management fees	867,278	872,386
Utilities	595,384	630,800
Property-related taxes	665,977	679,750
Insurance	8,032	8,000
Repair and maintenance	268,161	275,203
Depreciation	1,220,319	1,193,524
Loss on retirement of noncurrent assets	—	1,405
Other	57,512	68,016
Total expenses related to rental business	<u>3,682,666</u>	<u>3,729,088</u>
Operating income from property leasing activities	<u>4,496,518</u>	<u>4,677,318</u>

Note 5 – Analysis of gain on sales of property and equipment

Analysis of gain on sales of property and equipment for the six months ended June 30, 2019 is as follows:

(Thousands of yen)

	For the six months ended June 30, 2019
	Matsushita IMP Bldg.
Sale of property and equipment	12,150,000
Cost of property and equipment	9,934,504
Other sales expenses	276,799
Gain on sales of property and equipment, net	<u>1,938,695</u>

There was no gain or loss on sales of property for the six months ended December 31, 2019.

Note 6 – Gain on donation of noncurrent assets

Gain on donation of noncurrent assets was recognized due to a transfer of carbon credits.

Note 7 – 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, 2019	December 31, 2019
Cash and bank deposits	12,862,061	8,882,197
Cash and bank deposits in trust	4,337,318	5,554,071
Cash and cash equivalents	17,199,380	14,436,269

Note 8 – 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, 2019 and December 31, 2019 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

(Thousands of yen)

	As of	
	June 30, 2019	December 31, 2019
Due within one year	4,427,796	4,467,999
Due after one year	7,252,206	6,583,482
Total	11,680,002	11,051,482

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of June 30, 2019 and December 31, 2019 are as follows:

(Thousands of yen)

	As of	
	June 30, 2019	December 31, 2019
Due within one year	6,036	6,036
Due after one year	4,527	1,509
Total	10,563	7,545

Note 9 – 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, 2019 and December 31, 2019.

(Thousands of yen)

	As of					
	June 30, 2019			December 31, 2019		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	12,862,061	12,862,061	—	8,882,197	8,882,197	—
(2) Cash and bank deposits in trust	4,337,318	4,337,318	—	5,554,071	5,554,071	—
Total assets	17,199,380	17,199,380	—	14,436,269	14,436,269	—
(3) Current portion of long-term loans payable	23,750,000	23,772,901	22,901	22,850,000	22,943,523	93,523
(4) Investment corporation bonds – unsecured	8,000,000	8,038,750	38,750	8,000,000	7,975,550	(24,450)
(5) Long-term loans payable	84,225,000	85,641,384	1,416,384	96,125,000	97,029,993	904,993
Total liabilities	115,975,000	117,453,036	1,478,036	126,975,000	127,949,066	974,066
(6) 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) *Current portion of long-term loans payable and (5) 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.

(4) *Investment corporation bonds – unsecured*

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

(6) *Derivative instruments*

Please refer to “Note 10 - Derivative instruments” for further information.

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

(Thousands of yen)

	As of	
	June 30, 2019	December 31, 2019
Investment securities	5,085,027	5,085,027
Tenant leasehold and security deposits	12,706,996	13,589,333

The investment securities (equity interests in silent partner ship) are not traded in markets, and it is too difficult to estimate reasonable fair value. Also, it is difficult to determine fair values of tenant leasehold and security deposits 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, 2019	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	12,862,061	—	—	—	—	—
Cash and bank deposits in trust	4,337,318	—	—	—	—	—
Total	17,199,380	—	—	—	—	—

(Thousands of yen)						
As of December 31, 2019	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	8,882,197	—	—	—	—	—
Cash and bank deposits in trust	5,554,071	—	—	—	—	—
Total	14,436,269	—	—	—	—	—

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

(Thousands of yen)						
As of June 30, 2019	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	23,750,000	19,600,000	12,950,000	11,200,000	8,900,000	31,575,000
Investment corporation bonds – unsecured	—	1,500,000	1,000,000	—	—	5,500,000

(Thousands of yen)						
As of December 31, 2019	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	22,850,000	14,250,000	9,900,000	11,100,000	10,700,000	50,175,000
Investment corporation bonds – unsecured	—	1,500,000	1,000,000	—	—	5,500,000

Note 10 – Derivative instruments

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

As of June 30, 2019

(Thousands of yen)						
Method of hedge accounting	Type of derivatives	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 swap (Floating-rate to fixed-rate interest)	Long-term loans payable	32,600,000	28,600,000	Note 1	-

As of December 31, 2019

(Thousands of yen)						
Method of hedge accounting	Type of derivatives	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 swap (Floating-rate to fixed-rate interest)	Long-term loans payable	31,600,000	20,300,000	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 9 - Financial instruments (b) Quantitative information for financial instruments”.

Note 11 – Related-party transactions

There was no related-party transaction to be disclosed for the six months ended June 30, 2019 and December 31, 2019.

Note 12 – Segment information

Segment information for the six months ended June 30, 2019 and December 31, 2019 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		Related segment
	June 30, 2019	December 31, 2019	
Panasonic Corporation	1,052,422	1,049,764	Property rental business

Note 13 – Fair value of investment and rental properties

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 the aggregate for the six months ended June 30, 2019 and December 31, 2019.

(Thousands of yen)

	As of / For the six months ended	
	June 30, 2019	December 31, 2019
Net book value		
Balance at the beginning of the period	257,654,032	251,503,251
Net increase (decrease) during the period ⁽¹⁾	(6,150,780)	28,231,577
Balance at the end of the period	251,503,251	279,734,829
Fair value	267,940,000	303,570,000

Notes:

(1) For the six months ended June 30, 2019:

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

	Increase (decrease) in net book value (Thousands of yen)
Acquisition: M-City Edogawabashi Bldg.	4,135,319
Disposition: Matsushita IMP Bldg.	(9,934,504)

For the six months ended December 31, 2019:

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

	Increase (decrease) in net book value (Thousands of yen)
Acquisitions: East Square Tokyo	9,905,140
Osaka YM Bldg.	6,593,518
Hotel Vista Premio Tokyo	11,691,928

(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, 2019 and December 31, 2019, please refer to “Note 4 – Rental business revenues and expenses.”

Note 14 – Per unit information

The net asset value per unit as of June 30, 2019 and December 31, 2019 was ¥86,463 and ¥87,453, respectively. Net income per unit for the six months ended June 30, 2019 and December 31, 2019 was ¥3,039 and ¥ 2,023, respectively.

The 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, 2019	December 31, 2019
Net income	4,994,316	3,388,758
Effect of dilutive units	—	—
Net income attributable to unitholders	4,994,316	3,388,758
Adjusted weighted-average number of units outstanding for the period	1,643,125 units	1,675,011 units

Note 15 – Subsequent events

Not Applicable

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

For the six months ended December 31, 2019, the Investment Corporation raised funds totaling of ¥15,088 million with issuance of 134,000 investment units through public offering in November 2019 and 7,000 investment units through allocation of investment units to a third party in December 2019. The outline of changes in unitholders' capital for last five years until December 31, 2019 was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
April 22, 2015	Allocation of investment units to a third party	8,400	192,025	2,435	92,808	Note 1
July 29, 2015	Public offering	70,000	262,025	21,222	114,030	Note 2
August 17, 2015	Allocation of investment units to a third party	4,000	266,025	1,212	115,243	Note 3
February 28, 2017	Public offering	29,100	295,125	9,419	124,662	Note 4
March 27, 2017	Allocation of investment units to a third party	1,500	296,625	485	125,148	Note 5
January 1, 2018	Unit Split	1,186,500	1,483,125	—	125,148	Note 6
February 15, 2018	Public offering	152,000	1,635,125	10,738	135,887	Note 7
March 9, 2018	Allocation of investment units to a third party	8,000	1,643,125	565	136,452	Note 8
November 19, 2019	Public offering	134,000	1,777,125	14,339	150,791	Note 9
December 17, 2019	Allocation of investment units to a third party	7,000	1,784,125	749	151,540	Note 10

Note 1 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 2 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 3 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 4 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 5 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 6 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 7 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 8 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.

Note 9 New investment units were issued at a price of ¥110,760 per unit (subscription price of ¥107,011 per unit) through a public offering in order to raise funds for acquiring new property.

Note 10 New investment units were issued at a price of ¥107,011 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on November 19, 2019.

3. Additional information

(1) Composition of assets

Classification of assets	Investment category	Investment area	As of June 30, 2019		As of December 31, 2019	
			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)	132,597	48.3	142,872	47.5
		Osaka metropolitan area (Note 2)	85,361	31.1	91,766	30.5
		Other areas	5,623	2.0	5,640	1.9
	Other	Three major metropolitan areas				
		Tokyo metropolitan area (Note 2)	23,500	8.6	35,071	11.6
		Osaka metropolitan area (Note 2)	2,339	0.9	2,320	0.8
	Other areas	2,081	0.8	2,062	0.7	
Sub-total			251,503	91.5	279,734	92.9
Investments in Tokumei Kumiai agreement (Note 3)			5,085	1.9	5,085	1.7
Bank deposits and other assets			18,147	6.6	16,256	5.4
Total assets			274,736	100.0	301,075	100.0
Total liabilities			132,665	48.3	145,048	48.2
Total net assets			142,070	51.7	156,027	51.8

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, 2019 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	1.7

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, 2019 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	7,522	8,710	6,858.16	6,858.16	100.0
			OT-2	G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	12,125	16,500	5,049.36	5,049.36	100.0
			OT-3	Shibuya Sakuragaoka Square	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	17,304	19,500	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	6,991	8,400	12,704.18	12,704.18	100.0
			OT-5	Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	20,397	23,300	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	2,837	3,190	3,254.77	3,254.77	100.0
			OT-7	Sasazuka Center Bldg.	2-1-6, Sasazuka, Shibuya-ku, Tokyo	Trust beneficial interest	9,056	9,360	8,240.30	8,240.30	100.0
			OT-8	USC Bldg.	4-11-38, Toyo, Koto-ku, Tokyo	Trust beneficial interest	11,068	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	4,203	4,280	3,149.39	3,149.39	100.0
			OT-10	TOYOTA MOBILITY SERVICE Bldg.	2-12-4, Nihombashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	9,601	10,500	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	4,368	4,470	2,581.79	2,581.79	100.0
			OT-12	Yokohama i-land Tower	6-50-1, Honmachi, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	23,346	23,900	25,460.50	25,460.50	100.0
			OT-13	M-City Edogawabashi Bldg.	1-44-10, Sekiguchi, Bunkyo-ku, Tokyo	Trust beneficial interest	4,131	4,240	3,472.70	3,472.70	100.0
			OT-14	East Square Tokyo	1-6-35, Shinsuna, Koto-ku, Tokyo	Trust beneficial interest	9,916	10,200	12,208.42	9,888.58	81.0
		Other area	Osaka metropolitan area	OO-1	Twin 21	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	65,808	61,400	82,304.83	80,790.13
	OO-5			MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	3,060	2,590	4,277.63	4,277.63	100.0
	OO-7			Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	10,235	11,100	10,189.49	10,189.49	100.0
	OO-8			MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	3,316	2,570	3,881.74	3,881.74	100.0
	OO-9			Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	2,756	4,070	4,655.57	4,655.57	100.0
	OO-10			Osaka YM Bldg.	7-15-26, Fukushima, Fukushima-ku, Osaka-shi	Trust beneficial interest	6,589	7,650	9,957.53	9,957.53	100.0
	Other area		OR-1	Sendai Capital Tower	4-10-3, Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	5,640	6,900	12,997.43	12,094.07	93.0
	Sub total						240,279	254,330	260,730.40	255,227.70	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	23,387	29,200	101,210.44	101,210.44	100.0
			HT-1	Hotel Vista Premio Tokyo	4-3-2, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	11,683	12,000	4,236.46	4,236.46	100.0
		Osaka metropolitan area	RO-1	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	2,320	3,440	9,586.26	9,586.26	100.0
	Other area	HR-1	Dormy Inn Hakata Gion	1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	2,062	4,600	5,554.91	5,554.91	100.0	
	Sub total						39,454	49,240	120,588.07	120,588.07	100.0
Total							279,734	303,570	381,318.47	375,815.77	98.6

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, 2019 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, 2019.
- 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, 2019.
- Note 6 “Occupancy ratio” is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2019 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.
- Note 7 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, 2019 were as follows:

Investment category	Investment area	Property Number	Name of property	For the six months ended								
				June 30, 2019				December 31, 2019				
				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	8	100.0	283,662	3.7	9	100.0	298,626	3.8
			OT-3	Shibuya Sakuragaoka Square	4	100.0	345,226	4.5	4	100.0	344,655	4.4
			OT-4	Yokohama Creation Square	42	98.2	317,103	4.1	43	100.0	350,613	4.5
			OT-5	Cube Kawasaki	10	100.0	658,774	8.6	10	100.0	642,757	8.2
			OT-6	Higashi-Nihombashi Green Bldg.	7	100.0	82,487	1.1	7	100.0	83,858	1.1
			OT-7	Sasazuka Center Bldg.	9	100.0	255,969	3.3	9	100.0	271,297	3.4
			OT-8	USC Bldg.	9	93.9	283,869	3.7	9	93.9	283,863	3.6
			OT-9	Yoshiyasu Kanda Bldg.	6	100.0	101,204	1.3	7	100.0	98,963	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	76,813	1.0	12	100.0	90,474	1.1
			OT-12	Yokohama i-land Tower	7	100.0	653,376	8.5	7	100.0	666,640	8.5
			OT-13	M-City Edogawabashi Bldg.	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			OT-14	East Square Tokyo	—	—	—	—	13	81.0	58,706	0.7
	Osaka metropolitan area	OO-1	Twin 21	110	99.2	2,224,711	28.9	109	98.2	2,270,201	28.8	
		OO-2	Matsushita IMP Bldg. (Note 7)	—	—	152,897	2.0	—	—	—	—	
		OO-5	MID Imabashi Bldg.	21	100.0	94,350	1.2	21	100.0	95,784	1.2	
		OO-7	Kitahama MID Bldg.	11	100.0	281,429	3.7	11	100.0	281,370	3.6	
		OO-8	MID Nishihommachi Bldg.	18	100.0	85,483	1.1	18	100.0	86,873	1.1	
		OO-9	Higobashi MID Bldg.	12	100.0	112,624	1.5	12	100.0	113,437	1.4	
	OO-10	Osaka YM Bldg.	—	—	—	—	25	100.0	44,725	0.6		
	Other area	OR-1	Sendai Capital Tower	76	95.8	248,216	3.2	74	93.0	261,851	3.3	
	Sub total				367	99.1	—	—	405	97.9	—	—
	Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1	100.0	726,000	9.4	1	100.0	726,000
HT-1				Hotel Vista Premio Tokyo	—	—	—	—	2	100.0	(Note 6)	(Note 6)
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	—	—	6	100.0	—	—	
Total				371	99.4	7,693,769	100.0	411	98.6	7,869,468	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 units 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 the rental revenues includes revenues from Sumitomo Fudosan Ueno Bldg. No.6, TOYOTA MOBILITY SERVICE Bldg., M-City Edogawabashi Bldg., Hotel Vista Premio Tokyo, 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 disposed 55% of co-quasi ownership in Matsushita IMP Bldg. on September 5, 2018 and disposed remaining 45% of trust beneficial interest in the property on March 8, 2019.

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