

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

27 th Period

INVESTOR PRESENTATION

Fiscal Period ended December 31, 2019

Securities Code **3227**

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

Highlights of 27th Fiscal Period (Fiscal Period Ended December 31, 2019)

- **Strengthening the investment structure through the merger of asset management companies**
- **Capital increase through public offering taking advantage of opportunities**
- **Steady internal growth backed by favorable office market conditions**
- **Continue active ESG initiatives**



Asset management company merged with MC-UBS (Mitsubishi Corp. - UBS Realty Inc.)



Asset management company merger (July 1, 2019)

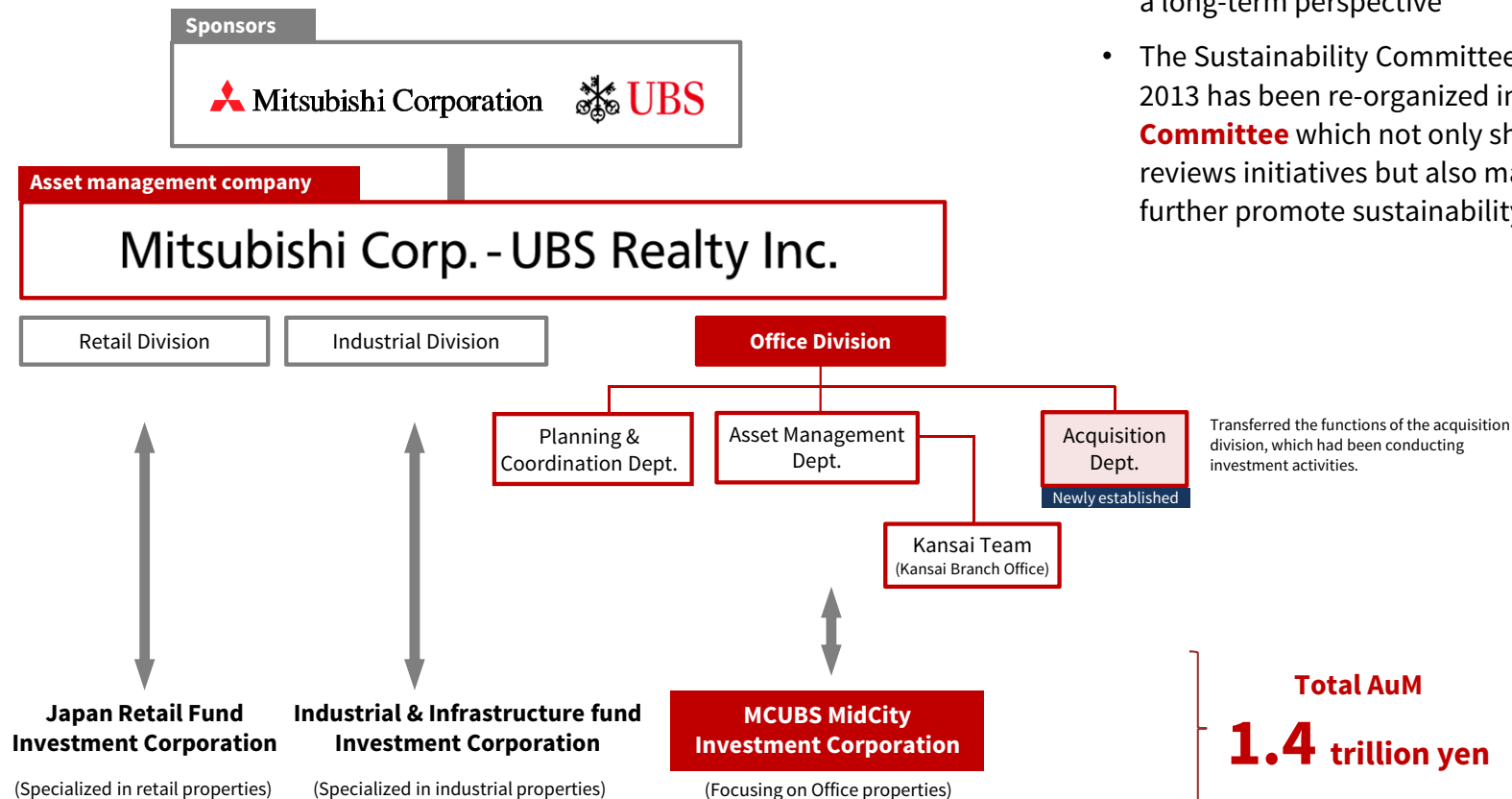
Apr. 2019: MC-UBS acquired all shares of MCUBS MidCity Inc.

Jul. 2019: MC-UBS **absorbed the asset management company**



Change in MC-UBS organizational structure (January 2020)

- **Re-established fund divisions which can comprehensively examine acquisitions, asset management, and disposition** through integrating investment activities with internal growth strategies from a long-term perspective
- The Sustainability Committee originally established in 2013 has been re-organized into **the new Sustainability Committee** which not only shares information and reviews initiatives but also makes decisions in order to further promote sustainability initiatives.



Financial summary

	Fiscal period ended Jun. 2019 (26 th Period)	Fiscal period ended Dec. 2019 (27 th Period)	Difference from 26 th Period	Difference from forecasts*	Fiscal period ending Jun. 2020 (28 th Period)	Difference from 27 th Period	Fiscal period ending Dec. 2020 (29 th Period)	Difference from 28 th period
Operating revenue (Gain on asset disposition)	10,279 mn.yen (1,938 mn.yen)	8,569 mn.yen	-16.6%	+0.6%	9,109 mn.yen	+6.3%	9,138 mn.yen	+0.3%
Operating income (Gain / Loss on asset disposition)	5,638 mn.yen (1,938 mn.yen)	3,983 mn.yen	-29.4%	+2.4%	4,246 mn.yen	+6.6%	4,256 mn.yen	+0.2%
Net income	4,994 mn.yen	3,388 mn.yen	-32.1%	+3.0%	3,623 mn.yen	+6.9%	3,641 mn.yen	+0.5%
Total distributions (Reserves for reduction entry of property) (Reversal of reserve for reduction entry of property)	4,520 mn.yen (474 mn.yen) (—)	3,487 mn.yen (—) (98 mn.yen)	-22.8%	—	3,621 mn.yen	+3.8%	3,639 mn.yen	+0.5%
Distribution per unit (excluding gain on asset disposition, etc.)	2,751 yen (1,935 yen)	1,955 yen	-28.9% (+1.0%)	—	2,030 yen	+3.8%	2,040 yen	+0.5%

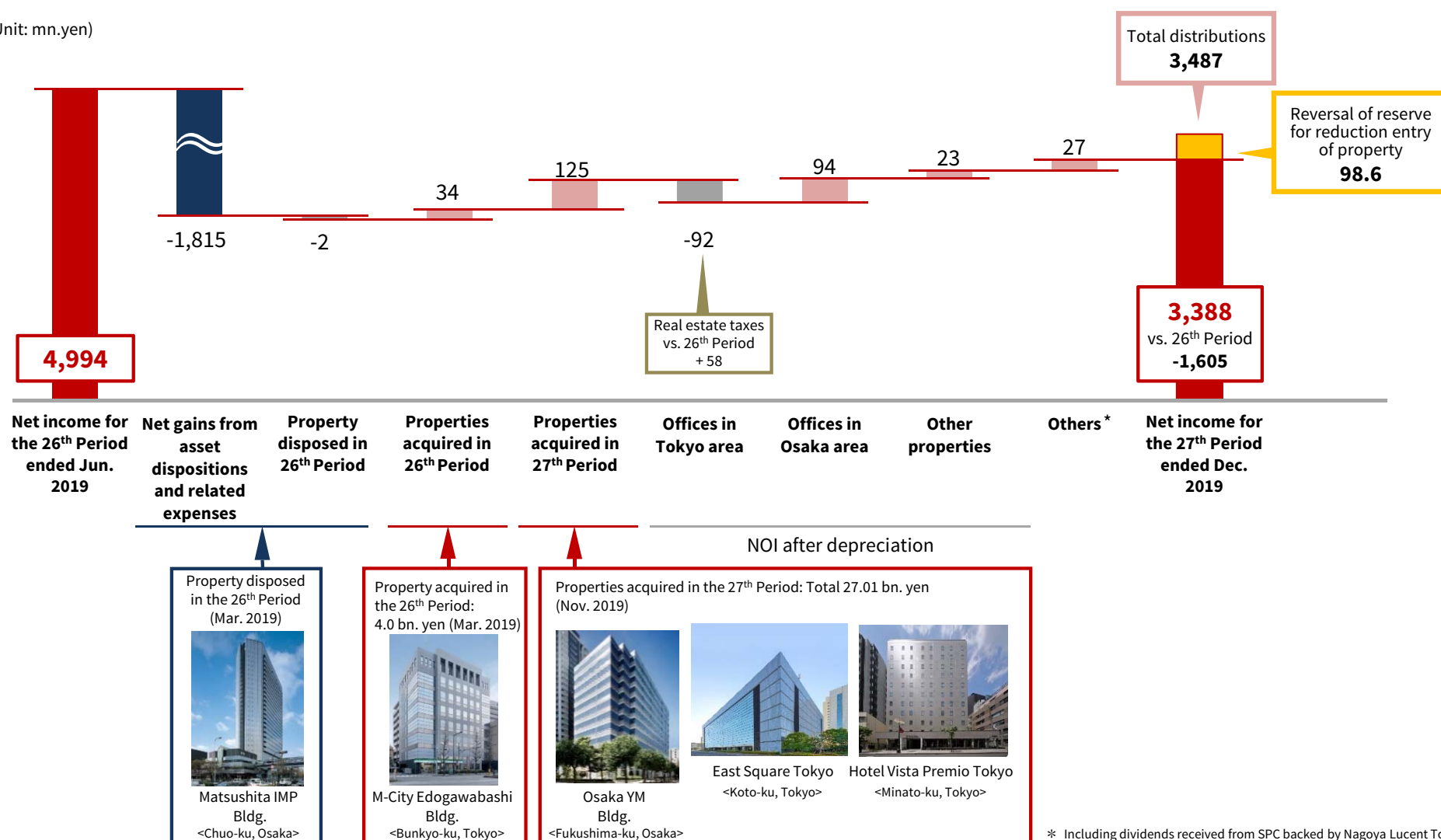
* Compared with forecasts in "Notice regarding Revision of Business Outlook and Distributions Forecast for the 27th Period Ending December 31, 2019 and the 28th Period Ending June 30, 2020" released on November 5, 2019.

Profit growth continued due to the effects of newly acquired assets



Breakdown of Net Income Changes between 27th Period and 26th Period

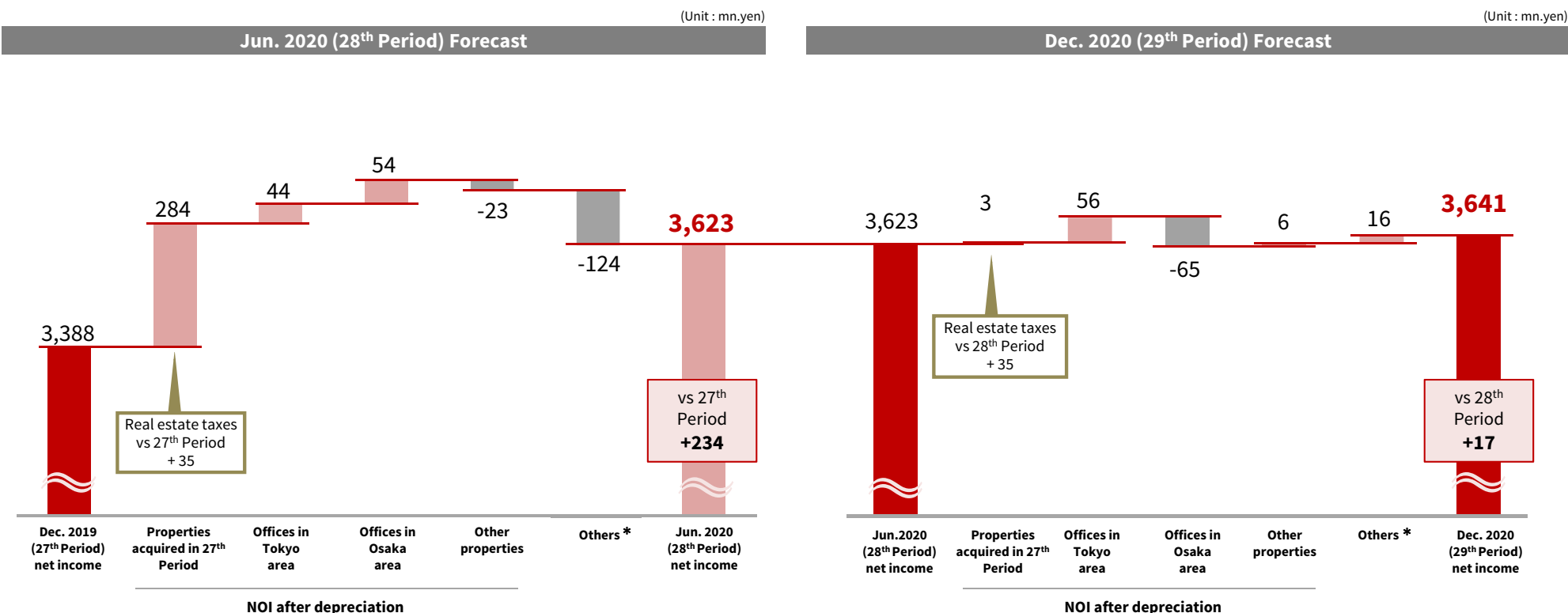
(Unit: mn.yen)



Steady profit growth driven by internal growth of existing properties



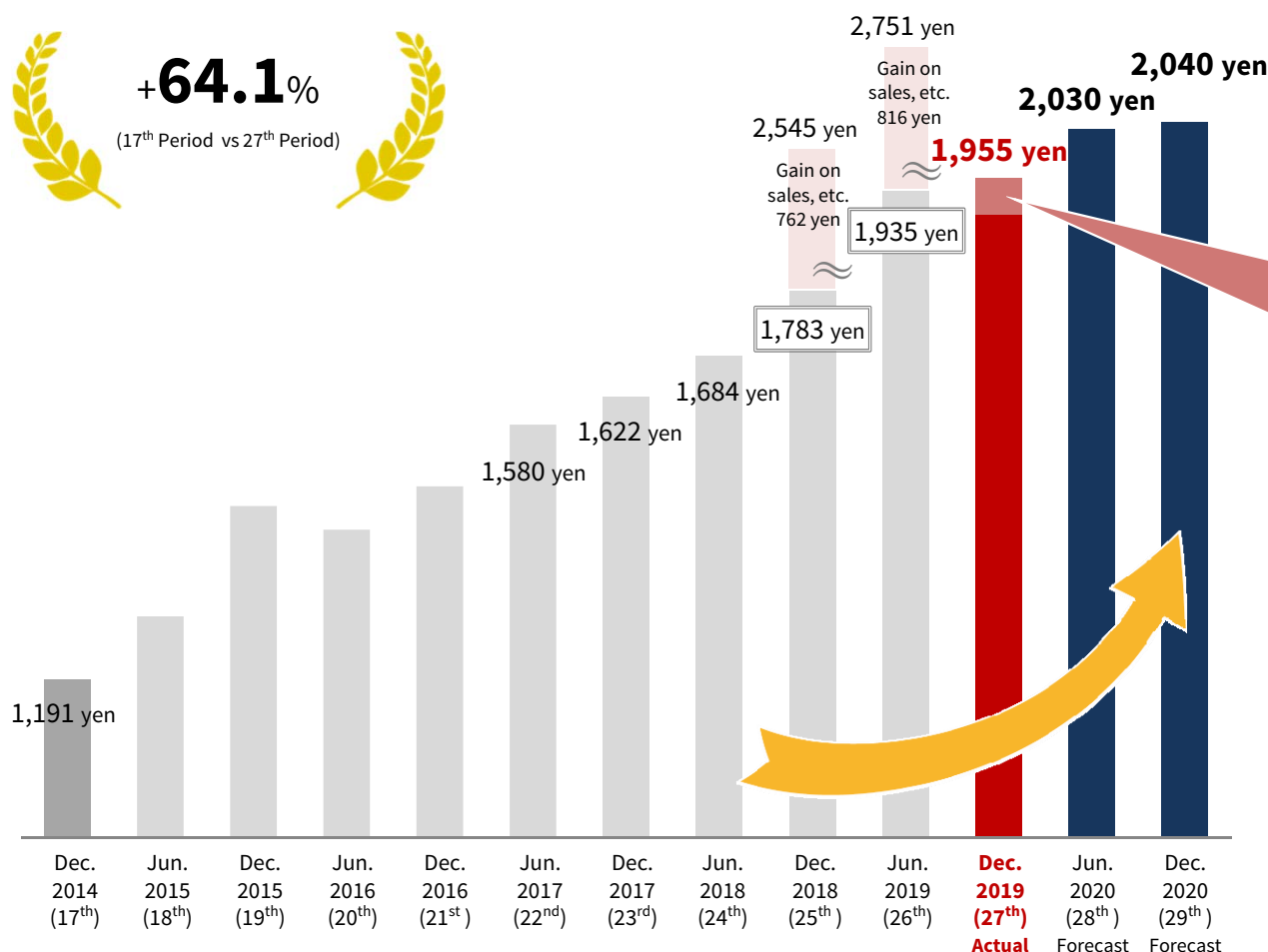
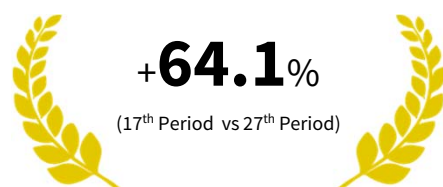
Breakdown of Net Income Changes for 28th and 29th Periods Forecasts



Continued growth in distribution per unit



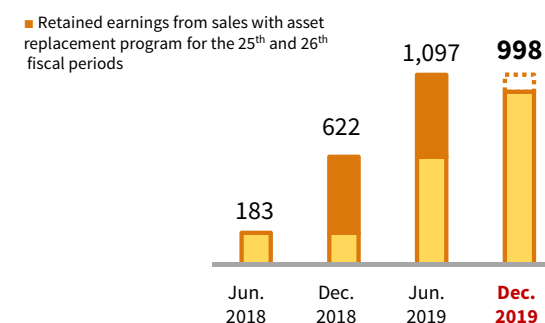
Distribution per unit



Appropriation of retained earnings of 98.6 mn.yen to cope with the temporary dilution of distributions accompanying capital increase during the period (55.2 yen per unit)

Retained earnings (Unit : mn.yen)

Retained earnings per unit **559.7 yen**
(as of the end of Dec. 2019)



*Retained earnings are calculated by adding the amount of reserves for reduction entry and deducting the amount of reversal of reserves for reduction entry on the accumulated reserve on the balance sheet at the end of each period.

Public offering for three consecutive years



Overview of the Fourth Public Offering



Selective investments in favorable locations with value enhancement potential



Strengthening profitability through solid internal growth



Development of a strong financial base and securing flexibility in acquisition capacity

Continuous improvement of unitholder value

Date of resolution of issuance	November 5, 2019
Total Procurement Amount (including third-party allotment)	15,088 mn.yen
Number of investment units offered (including third-party allotment)	141,000 units
Number of investment units outstanding (before the Offering)	1,643,125 units
Number of investment units outstanding (after the Offering)	1,784,125 units

Acquired 3 properties through exclusively negotiated transactions



Exclusive
Negotiation

Osaka YM Bldg.



Exclusive
Negotiation

East Square Tokyo



Exclusive
Negotiation

Hotel Vista Premio Tokyo



UPSIDE due to rent gaps

UPSIDE due to improved occupancy rate
Steady demand for tenants

UPSIDE by improving ADR^{*2}
by employing specialists

< At the time of publication ^{*1} >

Date of acquisition	November 20, 2019	November 20, 2019	November 22, 2019
Application	Office building	Office building	Hotel
Location	Fukushima-ku, Osaka	Koto-ku, Tokyo	Minato-ku, Tokyo
Acquisition price	6.31 bn. yen	9.50 bn. yen	11.20 bn. yen
Appraised value	7.06 bn. yen	10.20 bn. yen	12.00 bn. yen
Unrealized gain (ratio)	+0.75 bn. yen (+11.9%)	+0.70 bn. yen (+7.4%)	+0.80 bn. yen (+7.1%)
NOI yield (after depreciation)	5.0%(4.7%)	4.9%(4.2%)	3.9%(3.5%)

	Acquisition price	Appraised value	Unrealized gains	NOI yield	NOI yield after depreciation
Total of 3 properties/Average	27.01 bn. yen	29.26 bn. yen	+2.25 bn. yen	4.5%	4.0%

^{*1} Appraisal value, unrealized gain (ratio) and NOI yield (after depreciation) as of November 5, 2019 are shown.

^{*2} ADR (Average Daily Rate) = Average guest room rate per guest room (Average guest room rate)

Achieve internal growth of newly acquired properties-Osaka YM Bldg.

Characteristics of the property

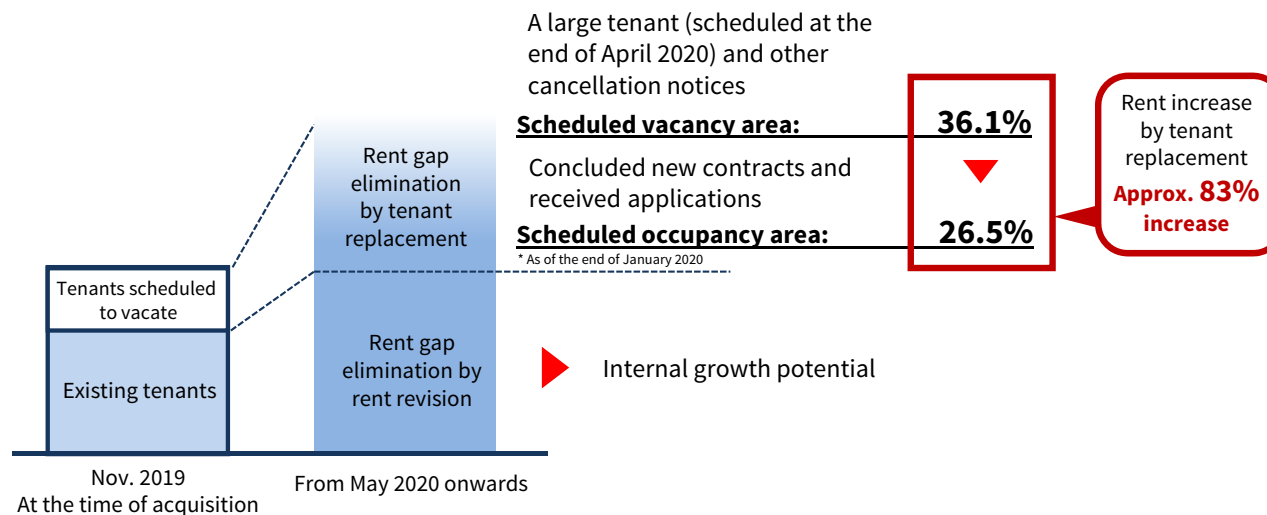
- ❑ Close to Umeda area, where redevelopment is underway
- ❑ The rent gap is large and has the potential for internal growth in the future
- ❑ New supply of office buildings in the Osaka area is limited for the time being

Future Internal Growth Potential

- **Early refill of vacant space** by notice of cancellation from large tenants, etc.
- **Improve earnings by closing the rent gap**
- Enhance the value of the Fukushima area through redevelopment of the Umeda area



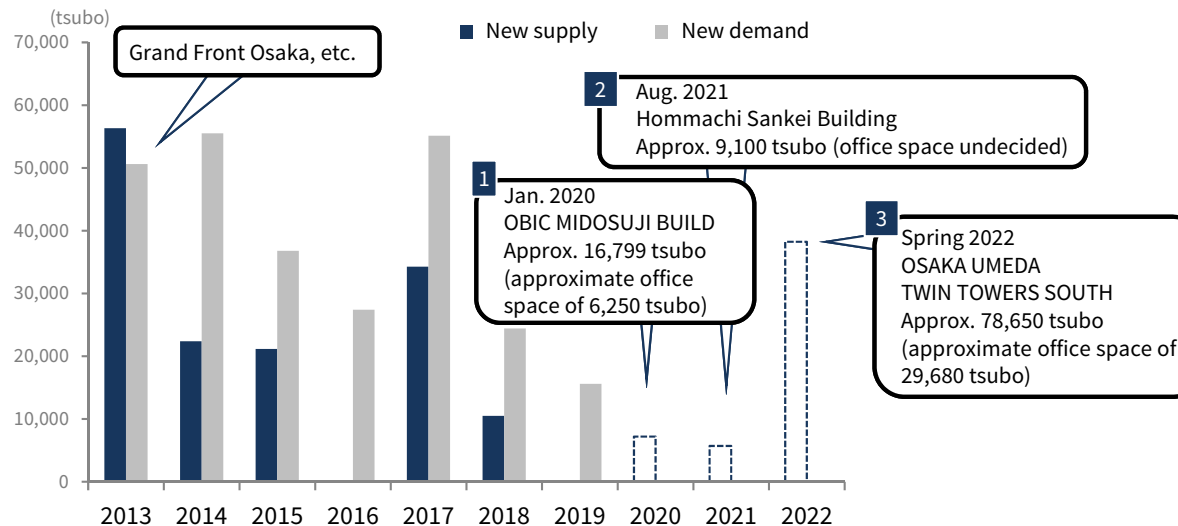
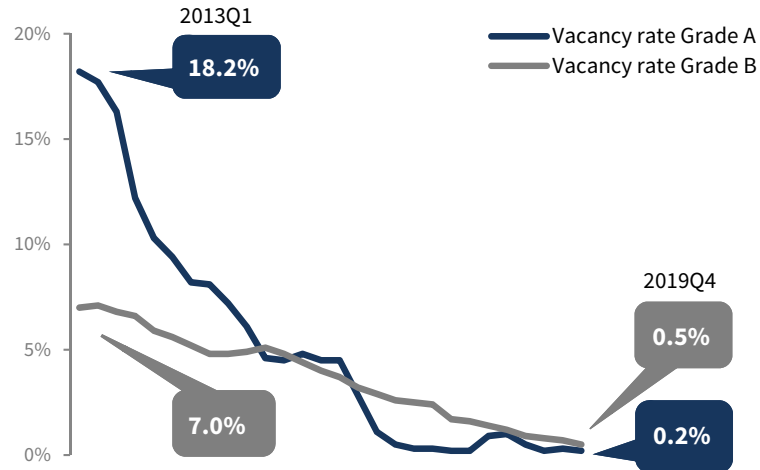
Location	7-chome, Fukushima, Fukushima-ku, Osaka
Access	JR Osaka Loop Line Approx. 3 minutes walk from Fukushima Station Hanshin Electric Railway main line Approx. 6 minutes walk from Fukushima Station
Total floor space	16,533.95m ²
Number of tenants	25
Occupancy rate	100.0%
Completion date	March, 1991 (Renewal of common area in 2008)



The current and future Osaka market



Vacancy Rate and Supply Volume at Osaka Office Buildings



Source: Graphs of vacancy rates and supply volumes are based on data from CBRE K.K. Outline of development plans is prepared by the asset management company based on materials issued by CBRE and related press releases.

Umekita Phase 2 Area

North area: Approx. 44,437 tsubo/South area: Approx. 113,335 tsubo (Office space undecided) [Scheduled for completion in summer 2024]

Development of new station building at Osaka Station

Approx. 17,847 tsubo (approximate office space of 6,957 tsubo) [Scheduled for completion in autumn 2024]

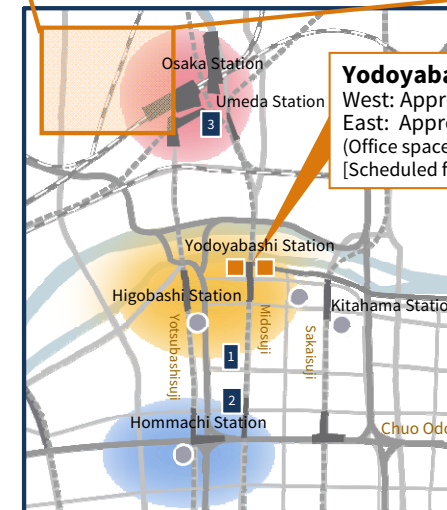
Osaka YM Bldg.

Umeda 3-chome Project

Approx. 68,668 tsubo (approximate office space of 20,570 tsubo) [Scheduled for completion in March 2024]

Yodoyabashi Twin Redevelopment

West: Approx. 39,325 tsubo East: Approx. 22,264 tsubo (Office space undecided) [Scheduled for completion in 2025]



* The total floor area is indicated.

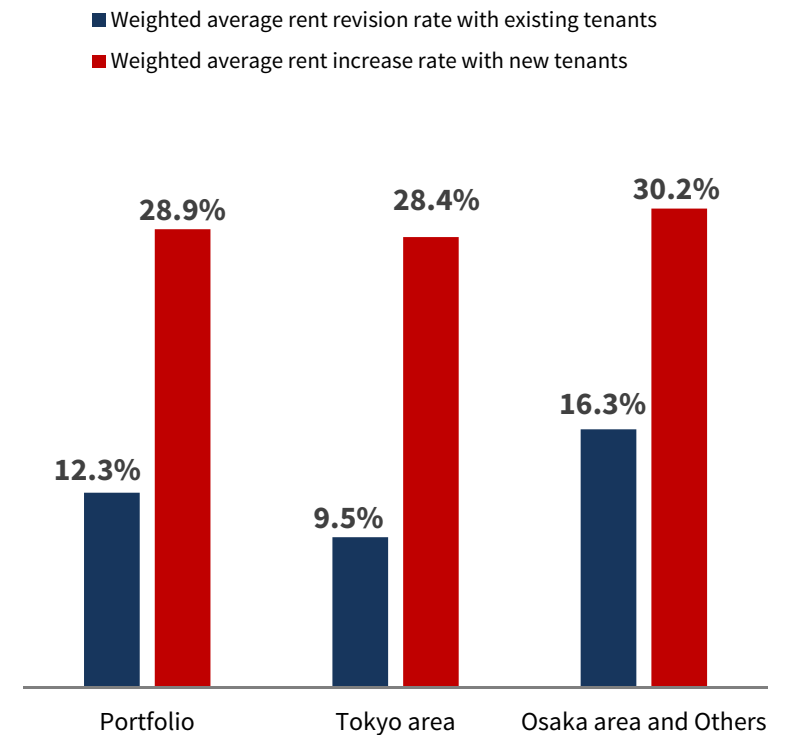
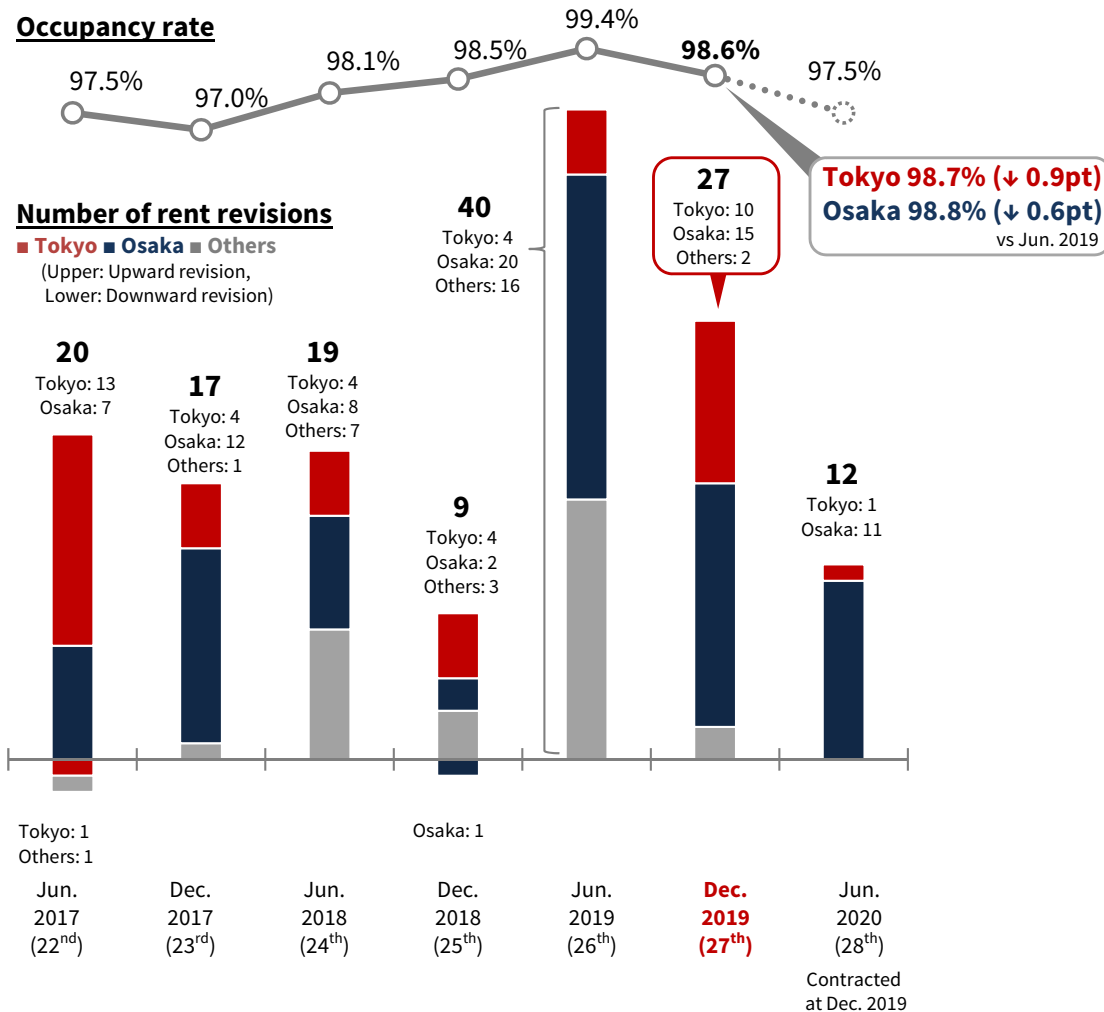
Continues high occupancy and upward rent revisions



Occupancy Rates and Rent Revisions for Leases



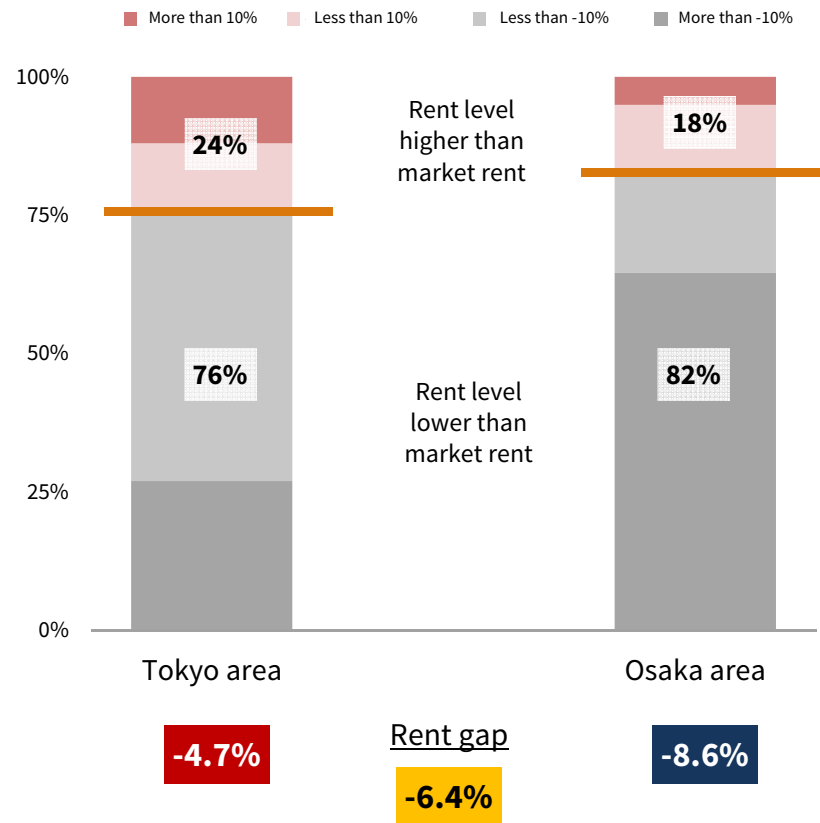
Rent Revision Rate (Dec. 2019 results)



Continuing Steady Internal Growth



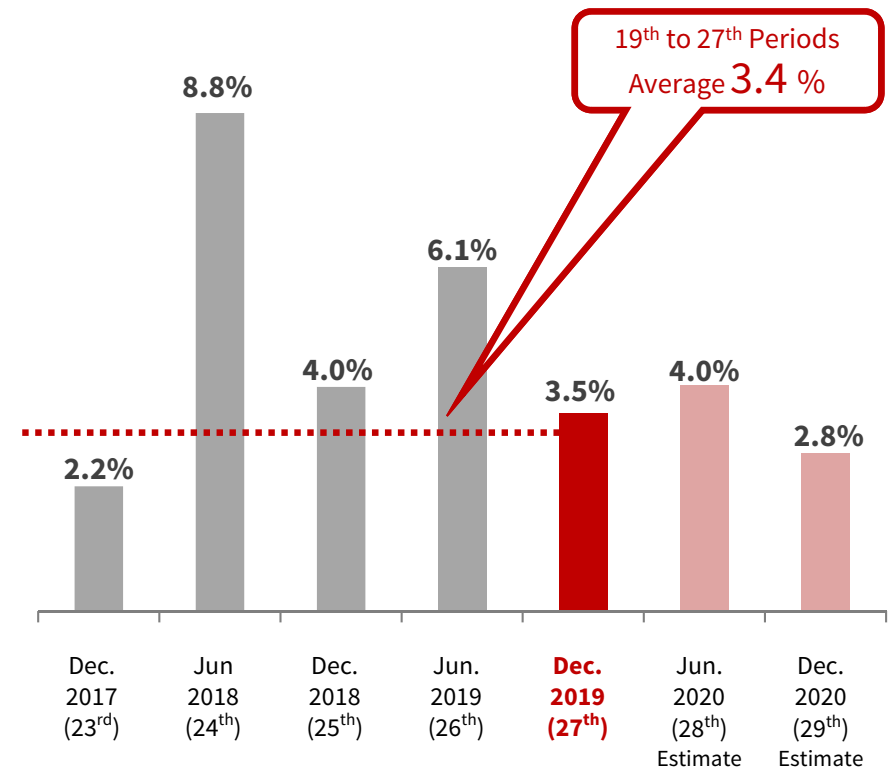
Rent gaps (contract rent-based *)



* Market rent refers to estimated contract rent of standard floor of each property assessed by CBRE K.K. as of December 2019. The rent equal to the market rent is included in "Less than 10%".



Annualized LFL NOI Growth*



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

Example of internal growth: M-City Akasaka 1-chome Bldg.

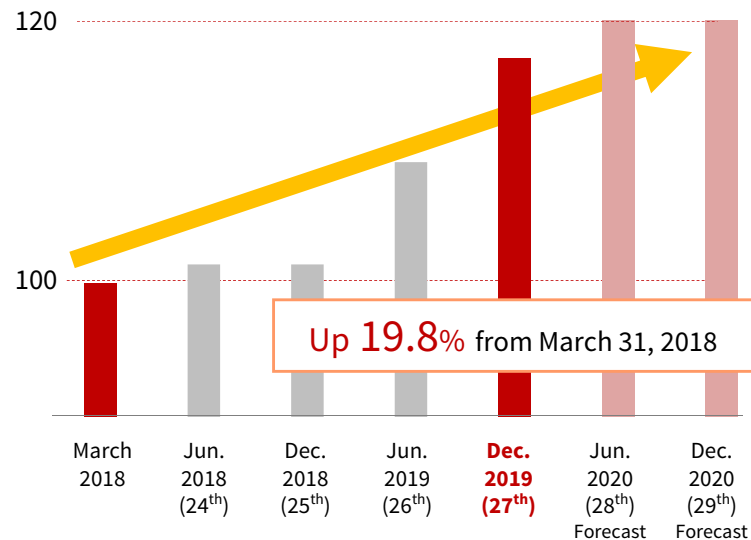


Higher average rent than expected at the time of acquisition



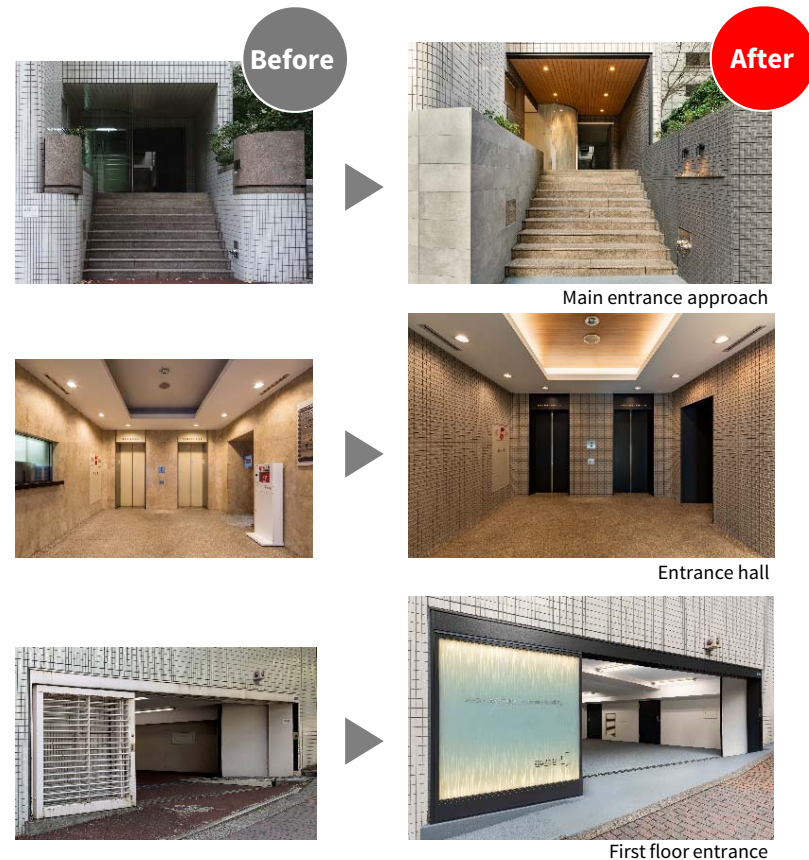
- ✓ Acquired in March 2018
- ✓ At the time of acquisition
Rent gap was about **10%**
- ✓ Within two years of acquisition
Succeeded in raising average rent unit price by **19.8%**

Trends in Average Rent Unit Price



Renewal of entrance and common areas

- ✓ Renewal in December 2019
- ✓ Improved leads and visibility to offices
- ✓ Light and sophisticated entrance renovation



Example of internal growth: AEON MALL Tsudanuma

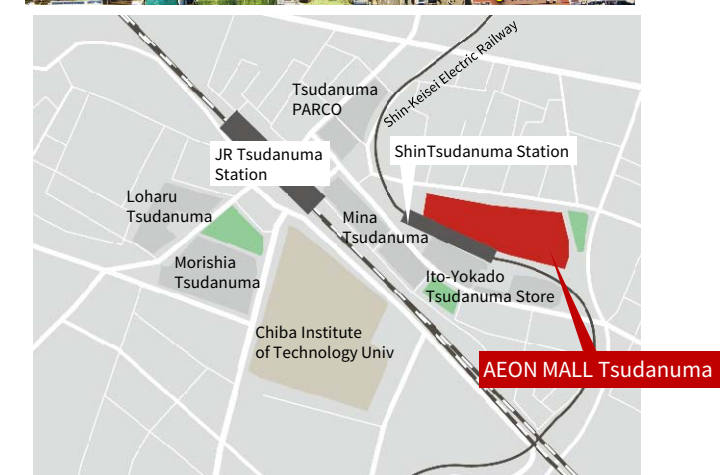
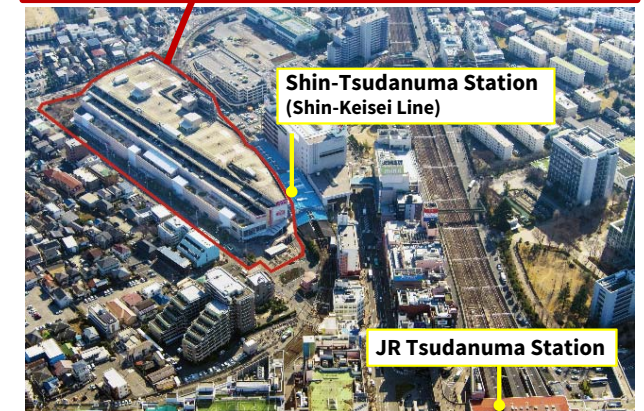
Background to the Conclusion of a New Fixed-Term Building Lease Agreement

- ❑ Aeon Retail has positioned this property as a flagship store
- ❑ Prior to the redevelopment plan for the area around Tsudanuma Station, Aeon Retail plans to schedule and implement a large-scale renewal of this property
- ❑ New policies from 2023 onward concluded in September 2019

Points of Conclusion of Agreement

- **20-year extension** of contract period
- Achieve an annual rent increase of **5%**
→ Effect on distribution per unit **+40 yen/year**

	Content of the current contract	Details of New Policies
Form of contract	Fixed-term building lease contract	Fixed-term building lease contract
Contract term	September 30, 2003 to September 29, 2023 (20 years)	September 30, 2023 to September 29, 2043 (20 years)
Annual rent	1,452 mn.yen	1,524.6 mn.yen (+72.6 mn.yen/year)
Rent revision	Discussions held every three years	No revision for 10 years (to be discussed every 3 years from the 10th year)
Early cancellation	Setting of a penalty according to the number of years elapsed	No cancellation for 10 years (From the tenth year onward, the surrender penalty is set according to the number of years elapsed.)
Leased area	101,210.44m ² (28.7% of total leased floor space)	96,033.49m ² * The contracted area is changed from the actual measurement to the public ledger at the time of the contract.



Further Strengthening the Financial Base



Credit ratings

Rating/announcement date
Rating and Investment Information, Inc. (R&I) A+ (Stable) <September 2019> NEW
Japan Credit Rating Agency, Ltd. (JCR) AA- (Stable) <March 2019>



New borrowings and refinancing of borrowings

■ New borrowings in November 2019

Lenders	Amount	Period	Interest rate
Mizuho Bank	1.7 bn. yen	10 years	Fixed
MUFG Bank	1.3 bn. yen	10 years	Fixed
Development Bank of Japan, The Nishi-Nippon City Bank, The Bank of Fukuoka	3.1 bn. yen	9.5 years	Fixed
Sumitomo Mitsui Trust Bank	2.0 bn. yen	6.5 years	Fixed (Interest swap)
Sumitomo Mitsui Banking	2.0 bn. yen	4.5 years	Floating
Mizuho Bank, MUFG Bank	0.9 bn. yen	4.0 years	Floating
Total / Weighted Average	11.0 bn. yen	7.7 years	0.578%

■ Refinancing in January 2020

Lenders	Amount	Period	Interest rate
Sumitomo Mitsui Trust Bank	1.6 bn. yen	9 years	Fixed (Interest swap)
Shinkin Central Bank, The Nishi-Nippon City Bank	2.6 bn. yen	7.5 years	Fixed
Sumitomo Mitsui Banking	1.5 bn. yen	7 years	Fixed (Interest swap)
The Hyakugo Bank	0.75 bn. yen	6.5 years	Fixed
Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking	2.1 bn. yen	4.5 years	Floating
Total / Weighted Average	8.55 bn. yen	6.9 years	0.502%

(Reference)
Pre-borrowing conditions

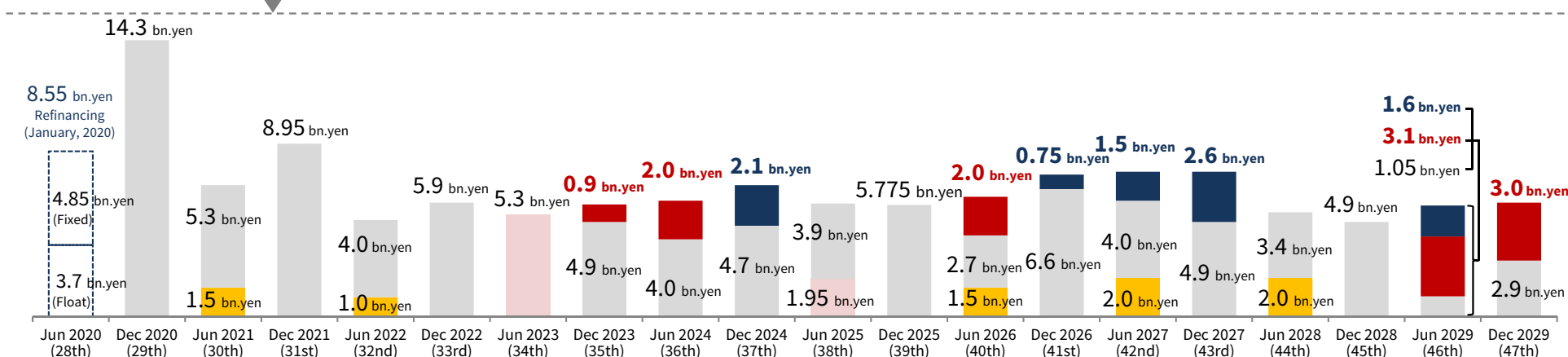
3.5 years
0.375%



Debt Maturity Ladder

Commitment line limit of 15.0 bn. yen

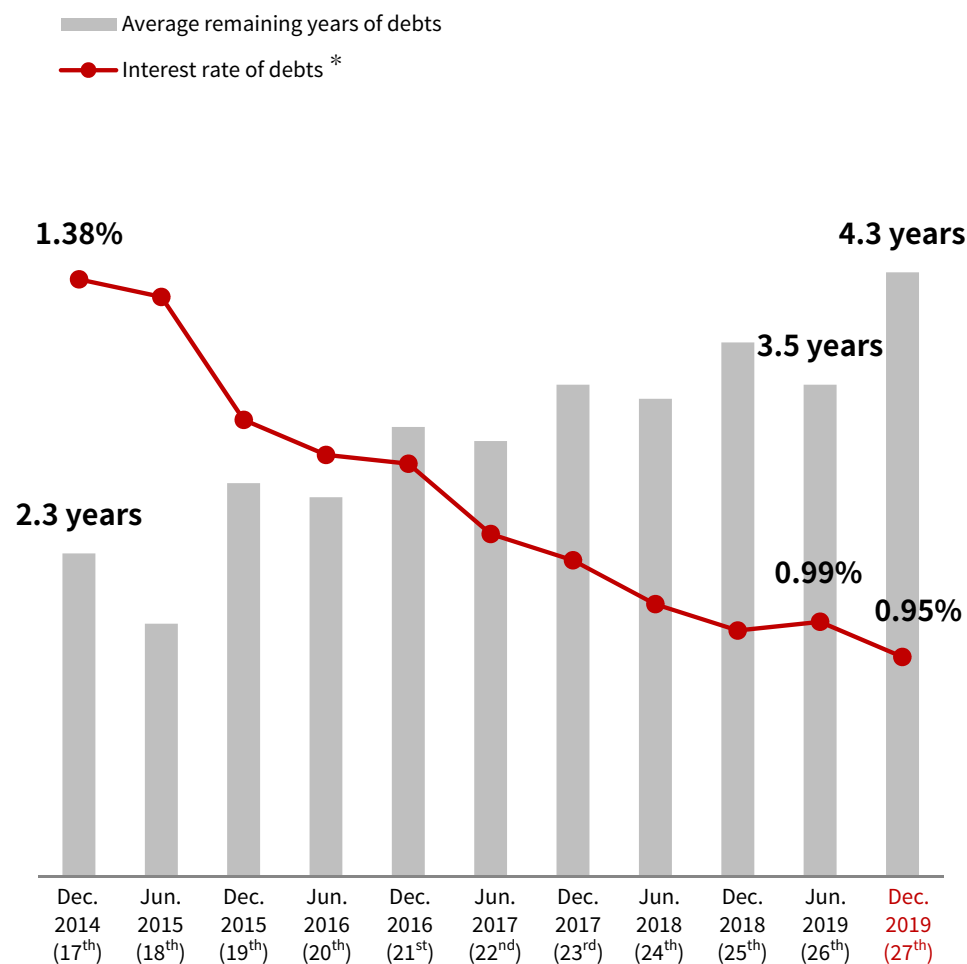
Existing Borrowings (Fixed) Existing Borrowings (Floating) Investment Corporation Bonds Borrowings in Nov. 2019 (11.0 bn. yen) Borrowings in Jan. 2020 (8.55 bn. yen)



Reinforcement of robust financial base



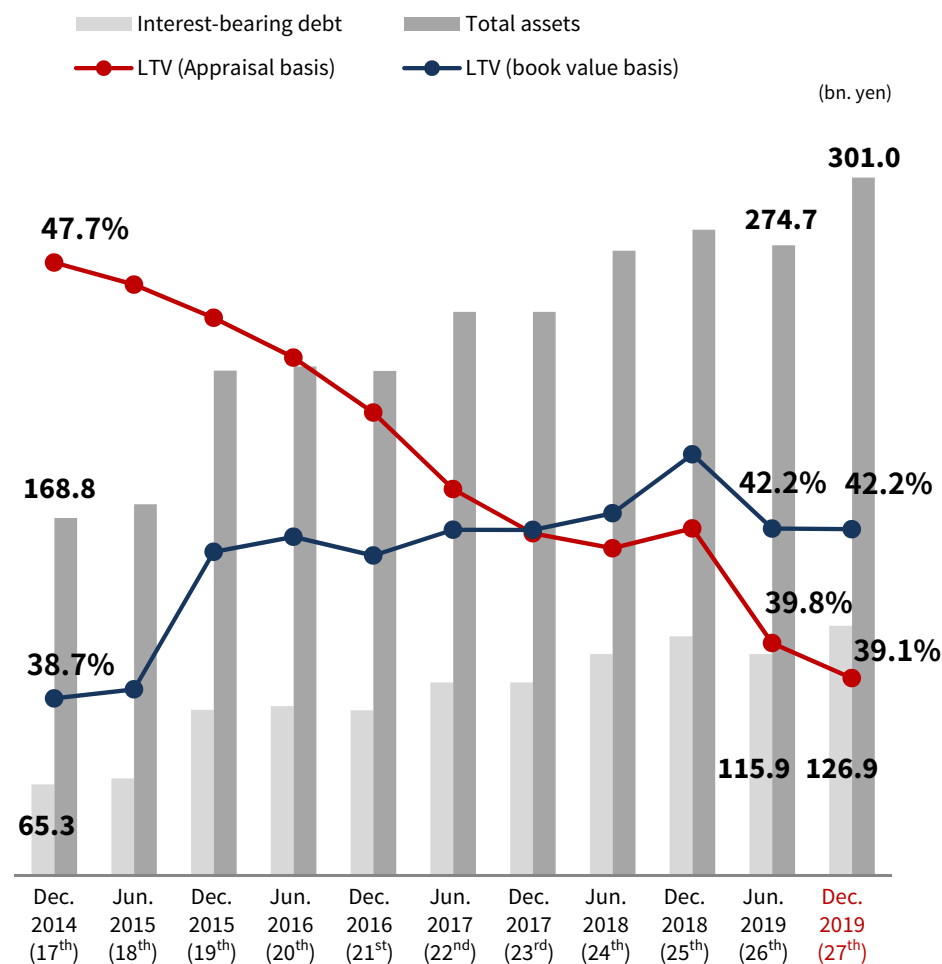
Average Remaining Years and Average Interest Rate of Debts



* All-in-cost including debts-related expenses



LTV



Evaluation of continuous efforts for ESG



Green Star in the GRESB for 4 consecutive years

- Acquired the highest Green Star for the fourth consecutive years
- Acquired **the highest rating of 5 stars** for two consecutive years



Only AA rated J-REIT by MSCI Japan ESG Rating

- Included in MSCI Japan ESG Select Leaders Index (December 2018)
* Index in which GPIF makes passive investments linked to the index
- Acquired J-REIT's only **"AA"** ESG rating (March 2019)

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



CASBEE Certification

G-Square Shibuya Dogenzaka

Acquired **"CASBEE for Smart Wellness Office"** certification for the first time in J-REIT which comprehensively evaluates next-generation office models by acquiring both "CASBEE for Real Estate" certification and **"CASBEE for Wellness Office"** certification. (November 2019)



TOYOTA MOBILITY SERVICE Bldg.

Acquired CASBEE for Real Estate Certification (December 2019)



Acquisition CASBEE appraisal certification for the fourth property





APPENDIX



Achievements and evaluations after MC-UBS participation

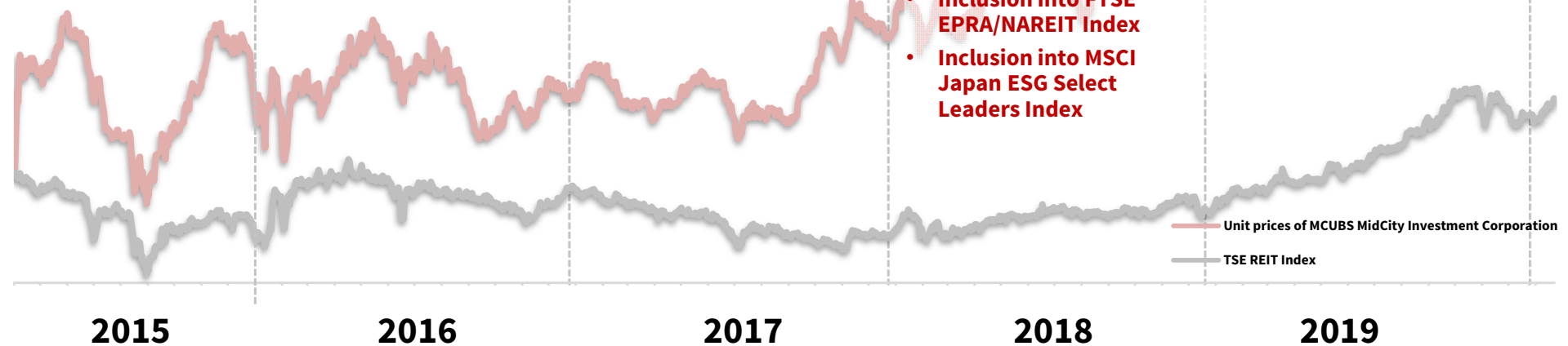
Actions

- | | | | | |
|---|---|---|--|--|
| <ul style="list-style-type: none"> MC-UBS takes part in equity of AM company Changed investment policy to 3 major metropolitan areas from Osaka First Public Offering | <ul style="list-style-type: none"> First issuance of investment corporation bonds Setting commitment lines | <ul style="list-style-type: none"> Asset replacement Second Public Offering Issuance of investment corporation bonds for two consecutive years Conclusion of green lease agreement and memorandum of amendment to increase in rent with a large tenant | <ul style="list-style-type: none"> Five-for-one split of the investment units Third Public Offering Issuance of investment corporation bonds for three consecutive years Strategic asset replacement executed | <ul style="list-style-type: none"> Strategic asset replacement completed (March) Merger of Asset Management Companies (July) Fourth Public Offering (November) |
|---|---|---|--|--|

Evaluations

- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> R&I Rating A- → A Participation in GRESB and obtain the Green Star | <ul style="list-style-type: none"> Obtain the Green Star from GRESB for two consecutive years | <ul style="list-style-type: none"> Newly acquired JCR Rating A+ Obtain the Green Star from GRESB for three consecutive years and the first five-star | <ul style="list-style-type: none"> JCR rating A+ → AA- (March) MSCI ESG rating AA, only in J-REIT (March) R&I rating A → A+ (September) |
|---|--|--|--|

- Inclusion into FTSE EPRA/NAREIT Index**
- Inclusion into MSCI Japan ESG Select Leaders Index**



Source: Bloomberg

* The Tokyo Stock Exchange REIT Index (TSE) index is calculated by comparing the closing price (1,917.7 pt) of the TSE REIT Index on April 10, 2015, with the closing price of MCUBS MidCity's investment units as of April 10, 2015, which is 58,480 yen.

Growth after MC-UBS participation

Asset Profitability and stability enhanced through portfolio expansion

	Prior to MC-UBS participation (Dec. 2014 (17 th Period))	Dec. 2019 (27 th Period)
Number of properties	12 properties	26 properties
Assets (Acquisition value basis)	157.6 bn.yen	287.6 bn.yen
Unrealized gain / loss	- 32.0 bn.yen	+ 23.8 bn.yen
Average NOI Yield	4.0%	4.5%
Average NOI Yield after depreciation	2.6%	3.6%

ESG Active efforts toward sustainability

	Prior to MC-UBS participation (Dec. 2014 (17 th Period))	Dec. 2019 (27 th Period)
GRESB	—	Green Star (4 consecutive years) 5star (2 consecutive years)
MSCI	—	MSCI Japan ESG Select Leaders Index / AA

Debt Successfully established strong financial base

	Prior to MC-UBS participation (Dec. 2014 (17 th Period))	Dec. 2019 (27 th Period)
LTV (Appraisal Value Basis)	47.7%	39.1%
Average interest-bearing liability cost	1.38%	0.95%
Average year remaining in interest-bearing liabilities	2.3 years	4.3 years
Issuers' ratings	R&I : A-	R&I : A+ (Stable) JCR : AA- (Stable)

Equity Unitholder value enhanced

	Prior to MC-UBS participation (Dec. 2014 (17 th Period))	Dec. 2019 (27 th Period)
Market Cap	53.6 bn.yen (April 10, 2015)	227.4 bn.yen (January 31, 2020)
DPU	1,191 yen	1,955 yen
P/NAV	63,504 yen	98,857 yen
Voluntary reserve	—	998 mn.yen
Key Index	—	FTSE EPRA/NAREIT Global Real Estate Index

List of portfolios

Area	Property No.	Property name	Location	Acquisition price (mn.yen)	Appraised value (mn.yen)	Book value (mn.yen)	Appraisal vs book value	Leasable space (㎡)	Occupancy rate (%)	No. of tenants
■ Office										
Tokyo area	OT-1	Sumitomo Fudosan Ueno Bldg. No. 6	Taito-ku, Tokyo	7,460	8,710	7,522	15.8%	6,858.16	100.0	2
	OT-2	G-Square Shibuya Dogenzaka	Shibuya-ku, Tokyo	12,220	16,500	12,125	36.1%	5,049.36	100.0	9
	OT-3	Shibuya Sakuragaoka Square	Shibuya-ku, Tokyo	17,130	19,500	17,304	12.7%	6,379.66	100.0	4
	OT-4	Yokohama Creation Square	Kanagawa-ku, Yokohama	7,080	8,400	6,991	20.2%	12,704.18	100.0	43
	OT-5	Cube Kawasaki	Kawasaki-ku, Kawasaki	20,050	23,300	20,397	14.2%	24,494.06	100.0	10
	OT-6	Higashi Nihombashi Green Bldg.	Chuo-ku, Tokyo	2,705	3,190	2,837	12.4%	3,254.77	100.0	7
	OT-7	Sasazuka Center Bldg.	Shibuya-ku, Tokyo	8,700	9,360	9,056	3.3%	8,240.30	100.0	9
	OT-8	USC Bldg.	Koto-ku, Tokyo	10,800	11,500	11,068	3.9%	12,489.08	93.9	9
	OT-9	Yoshiyasu-Kanda Bldg.	Chiyoda-ku, Tokyo	4,000	4,280	4,203	1.8%	3,149.39	100.0	7
	OT-10	TOYOTA MOBILITY SERVICE Bldg.	Chuo-ku, Tokyo	9,200	10,500	9,601	9.4%	6,123.81	100.0	1
	OT-11	M-City Akasaka 1-chome Bldg.	Minato-ku, Tokyo	4,205	4,470	4,368	2.3%	2,581.79	100.0	12
	OT-12	Yokohama i-land Tower	Naka-ku, Yokohama	22,100	23,900	23,346	2.4%	25,460.50	100.0	7
	OT-13	M-City Edogawabashi Bldg.	Bunkyo-ku, Tokyo	4,070	4,240	4,131	2.6%	3,472.70	100.0	2
	OT-14	East Square Tokyo	Koto-ku, Tokyo	9,500	10,200	9,916	2.9%	12,208.42	81.0	13
Osaka area	OO-1	Twin 21	Chuo-ku, Osaka	68,700	61,400	65,808	- 6.7%	82,304.83	98.2	109
	OO-5	MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	2,590	3,060	- 15.4%	4,277.63	100.0	21
	OO-7	Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	11,100	10,235	8.5%	10,189.49	100.0	11
	OO-8	MID NishiHommachi Bldg.	Nishi-ku, Osaka	3,550	2,570	3,316	- 22.5%	3,881.74	100.0	18
	OO-9	Higobashi MID Bldg.	Nishi-ku, Osaka	3,000	4,070	2,756	47.6%	4,655.57	100.0	12
	OO-10	Osaka YM Bldg.	Fukushima-ku, Osaka	6,310	7,650	6,589	16.1%	9,957.53	100.0	25
Others	OR-1	Sendai Capital Tower	Aoba-ku, Sendai	5,500	6,900	5,640	22.3%	12,997.43	93.0	74
Subtotal (Office/21 properties)				240,350	254,330	240,279	5.8%	260,730.40	97.9	405
■ Other than office										
Tokyo area	RT-1	AEON MALL Tsudanuma	Narashino-city, Chiba	26,100	29,200	23,387	24.9%	101,210.44	100.0	1
	HT-1	Hotel Vista Premio Tokyo	Minato-ku, Tokyo	11,200	12,000	11,683	2.7%	4,236.46	100.0	2
Osaka area	RO-1	Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	3,440	2,320	48.2%	9,586.26	100.0	1
Others	HR-1	Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	4,600	2,062	123.0%	5,554.91	100.0	2
Subtotal (Other than office/4 properties)				42,360	49,240	39,454	24.8%	120,588.07	100.0	6
Subtotal				282,710	303,570	279,734	8.5%	381,318.47	98.6	411
■ TK interest for office										
Nagoya area	TK-1	Nagoya Lucent Tower (Equity Investments in Silent Partnership)	Nishi-ku, Nagoya	4,919	-	-	-	-	-	-
Total				287,629	303,570	279,734	8.5%	381,318.47	98.6	411

* Information is as of the end of December 2019.

Memo

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

Disclaimer

- This material mainly contains forward-looking statements regarding results, plans, managerial targets and strategies. These forward-looking statements are based on current assumptions and preconditions for future events and trends of business circumstances, which are not necessarily correct. Actual results may vary widely from such statements according to various factors
- This material is prepared subject to the accounting principles generally accepted in Japan, unless otherwise stated
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Asset Management Company: Mitsubishi Corp.- UBS Realty Inc.

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