

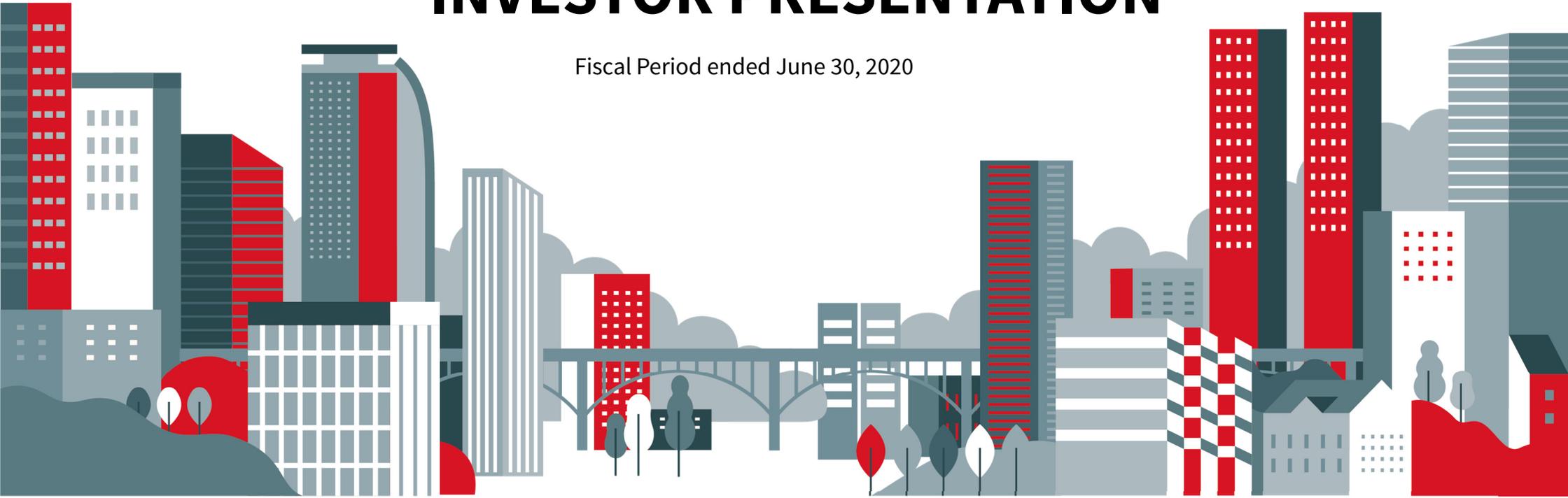
Think bold today for a brighter tomorrow.



**28** th Period

# INVESTOR PRESENTATION

Fiscal Period ended June 30, 2020



**MCUBS MidCity  
Investment Corporation**

Securities Code **3227**

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

## Highlights of 28<sup>th</sup> Fiscal Period (Fiscal Period Ended June 30, 2020)

- Continued growth in distribution per unit
- Limited impact of the COVID-19
- Achieved a record high in the number of rent increases
- Continue proactive ESG initiatives

### <Other Topics>

- Achieved repayment deadline leveling through refinancing of 14.3 billion yen
- Announced Merger with Japan Retail Fund Investment Corporation, in response to Environmental Changes



# Financial summary

	Fiscal period ended Dec. 2019 (27 <sup>th</sup> Period)	Fiscal period ended Jun. 2020 (28 <sup>th</sup> Period)	Difference from 27 <sup>th</sup> Period	Difference from forecasts*
Operating revenue	8,569 mn.yen	9,061 mn.yen	+5.7%	-0.5%
Operating income	3,983 mn.yen	4,276 mn.yen	+7.4%	+0.7%
Net income	3,388 mn.yen	3,657 mn.yen	+7.9%	+0.9%
Total distributions <small>(Reversal of reserve for reduction entry of property)</small>	3,487 mn.yen <small>(98 mn.yen)</small>	3,655 mn.yen	+4.8%	—
Distribution per unit	1,955 yen	2,049 yen	+4.8%	+0.9%

\* Compared with forecasts in “SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2019” released on February 20, 2020.

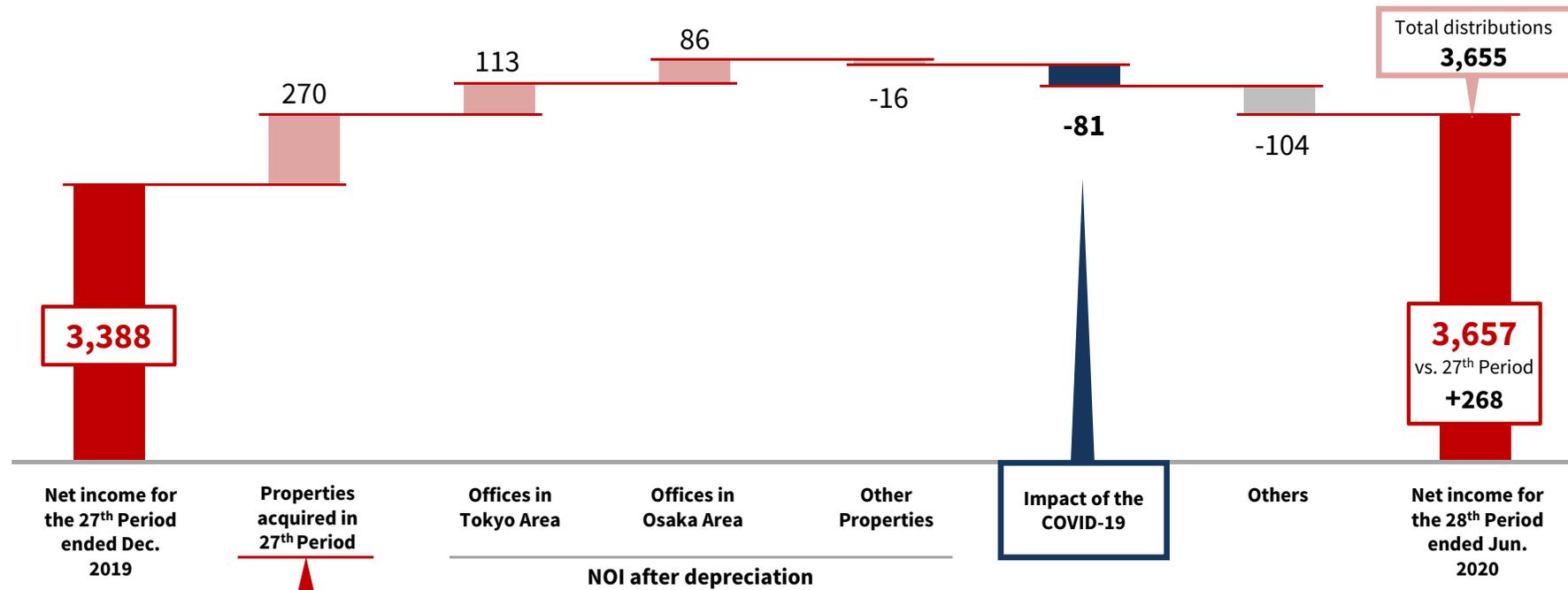
# Limited impact of the COVID-19

## Increasing in the rent led to higher revenues and profits



Breakdown of Net Income Changes between 28th Period and 27th Period

(Unit: mn.yen)



Properties acquired in the 27<sup>th</sup> Period: Total 27.01 bn. yen (Nov. 2019)

Osaka YM Bldg. <Fukushima-ku, Osaka>	East Square Tokyo <Koto-ku, Tokyo>	Hotel Vista Premio Tokyo <Minato-ku, Tokyo>
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# Limited impacts of the COVID-19 on portfolio



## Impacts of the COVID-19 on portfolio

**Limited-time** rent reduction support for tenants whose business has been severely affected by the declaration of a state of emergency

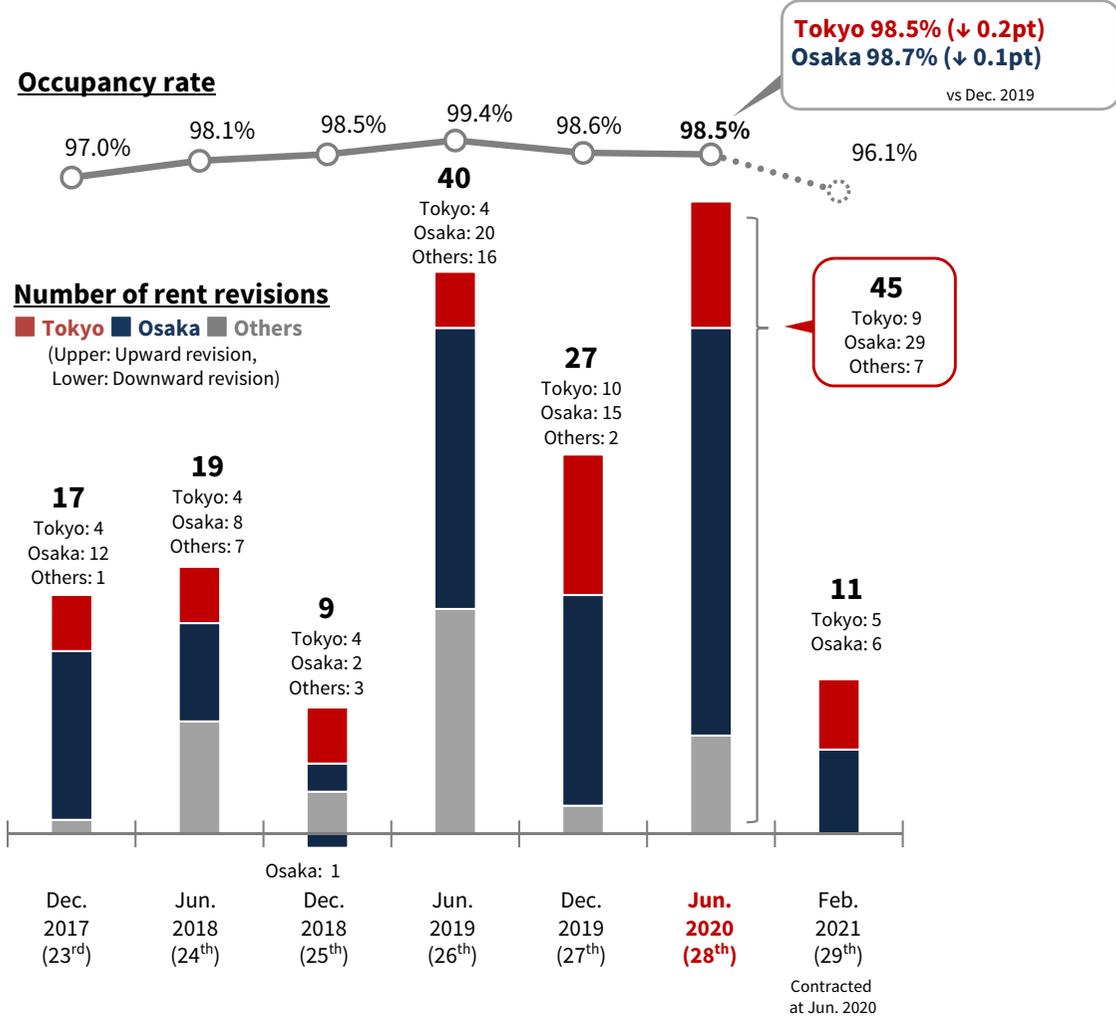
Type	Rent structure	Jun. 2020 Period 【Actual】 28th (for 6 months)	Feb. 2021 Period 【Forecast】 29th (for 8 months)
Office Bldg.	87%		<input type="checkbox"/> Anticipated impacts of lower occupancy rate due to partial evictions (10 cases)* <input type="checkbox"/> Some variable income items were planned conservatively.
Office	82%	Few tenants request for rent reduction	
Shop	4% (incl. restaurant 2%)	Especially restaurant tenants request for rent reduction	
Hotel	3%	Request for rent reduction	
Retail facility	10%	—	—
<b>Amount of the impact (per unit)</b>		- 81 mn yen ( - 46 yen )	- 53 mn yen ( - 30 yen )*

\* Including the Forecast of Feb.2021 Period

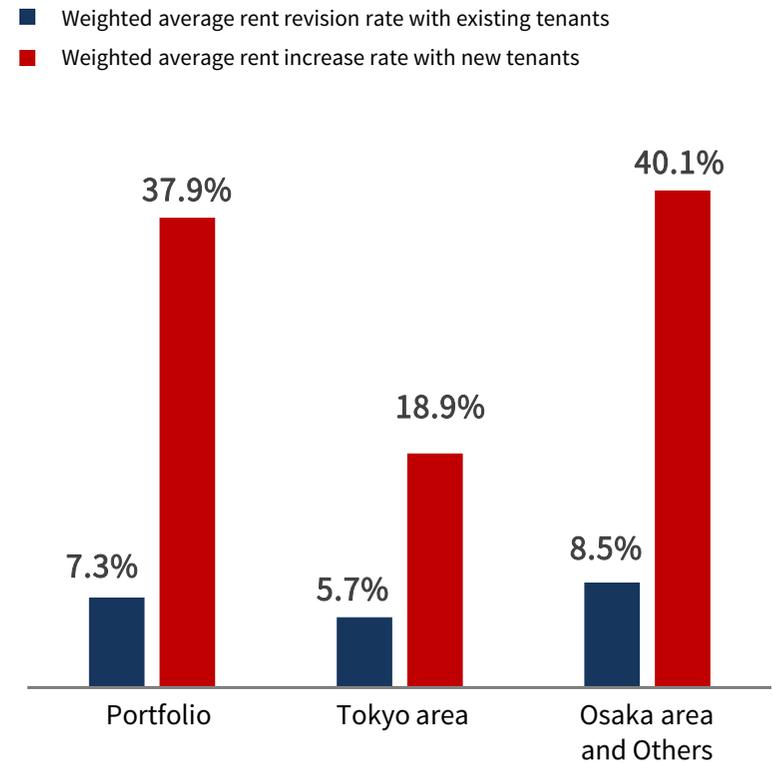
The portion of Hotels and shops (restaurants) are **small** on our portfolio

# Achieved a record high in the number of rent increases

## Occupancy Rates and Rent Revisions for Leases



## Rent Revision Rate (Jun. 2020 results)

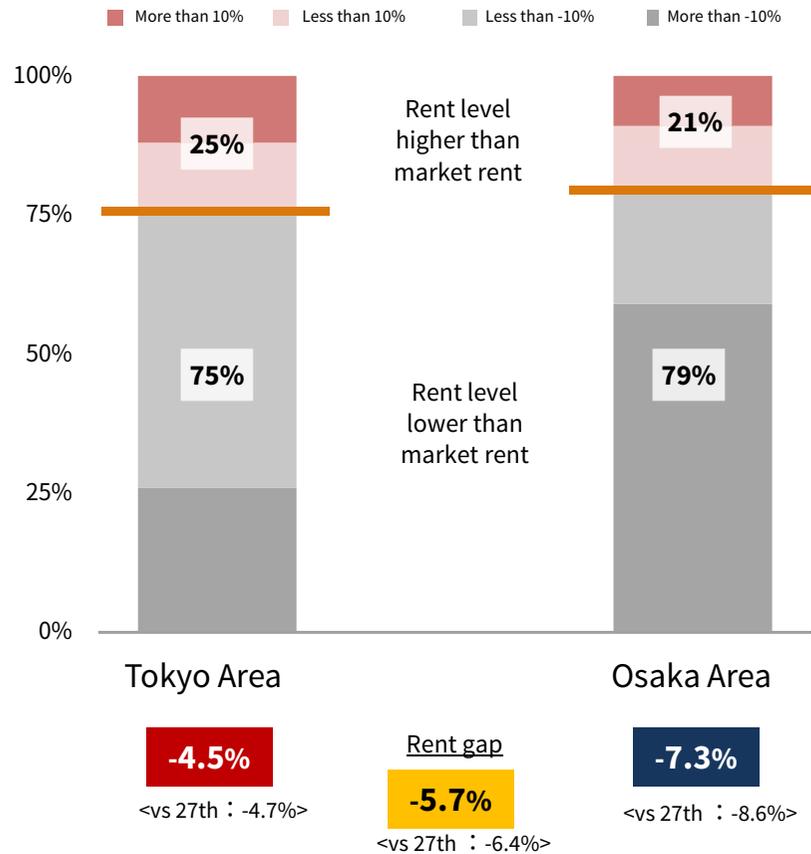


\* The fiscal period ending Feb. 28, 2021 (the 29th fiscal period) is scheduled for 8 months. For details, please refer to the "Investor Presentation for the Merger" dated Aug. 28, 2020 and the press release.

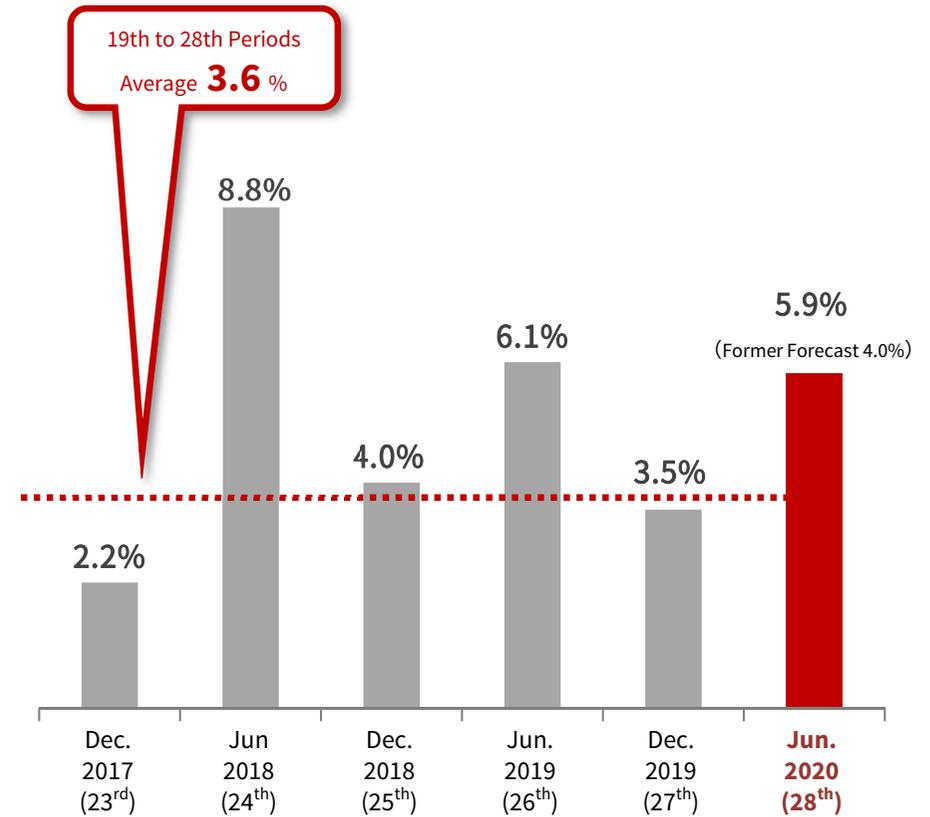
# Continuing Steady Internal Growth



## Rent gaps (contract rent-based)\*



## Annualized LFL NOI Growth\*



\* 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%".

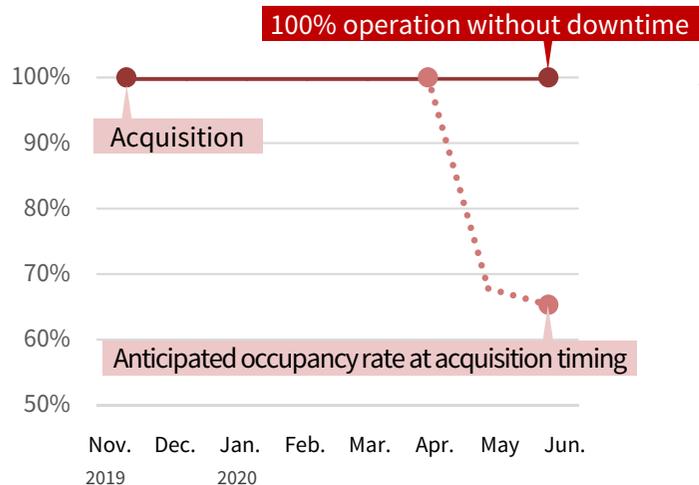
\* LFL (like-for-like) NOI Growth is an annualized change of total NOI from all properties owned for past two full periods. Unrecognized real estate taxes are adjusted for newly acquired properties.

# Example of internal growth and Upside potential



## Osaka YM Bldg.

- **Execution of a lease agreement without downtime** for large tenant cancellations that were expected at the time of acquisition
- Closed the rent gap by replacing tenants and achieved **a rent increase rate of approximately 84%**
- Achieved **a rent increase rate of approximately 25%** even with rent revisions with some existing tenants



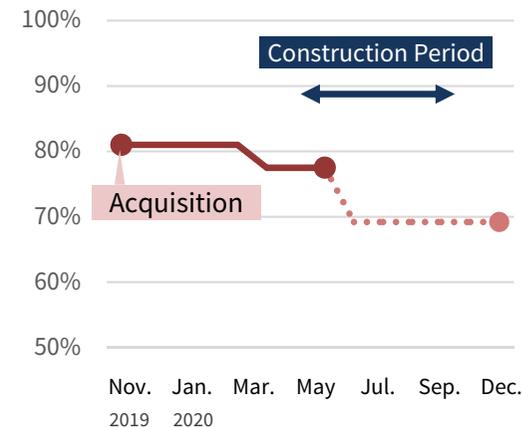
## M-City Edogawabashi Bldg.

- The main tenant will move out in September 2020
- Potential for revenue growth through tenant replacement



## East Square Tokyo

- Construction to convert to office space is underway as planned at the time of acquisition
- Potential to improve profitability through optimization



# Example of internal growth: Sendai Capital Tower



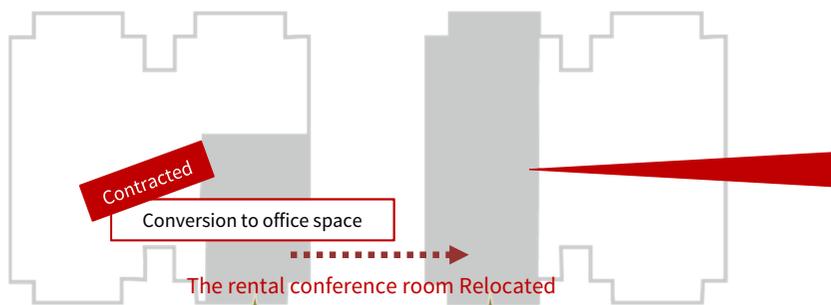
## Implementation of floor management to increase the added value of the building

- ✓ 28th period : The rental conference room on the 16th floor was relocated to the 1st basement floor, and the common area was renewed at the same time.
- ✓ 29th period : Conversion of the former rental conference room on the 16th floor to office space (increase in leasable office space) and partial renovation of the building facade and entrance area

After

16th floor

1st basement floor



Before



Former rental conference room



Former restaurant tenants



Rental conference room



Lounge



Smoking room



Restroom

# Progress in decentralizing repayment deadlines

## Credit ratings

Rating/announcement date
Japan Credit Rating Agency, Ltd. (JCR) <b>AA-(Stable)</b> <May 2020>
Rating and Investment Information, Inc. (R&I) <b>A+ (Stable)</b> <September 2019>

## New borrowings and refinancing of borrowings

### New borrowing 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
<b>Total / Weighted Average</b>	<b>8.55 bn. yen</b>	<b>6.9 years</b>	<b>0.502%</b>

(Reference) Pre-borrowing conditions

3.5 years 0.375%

### Refinancing in July 2020

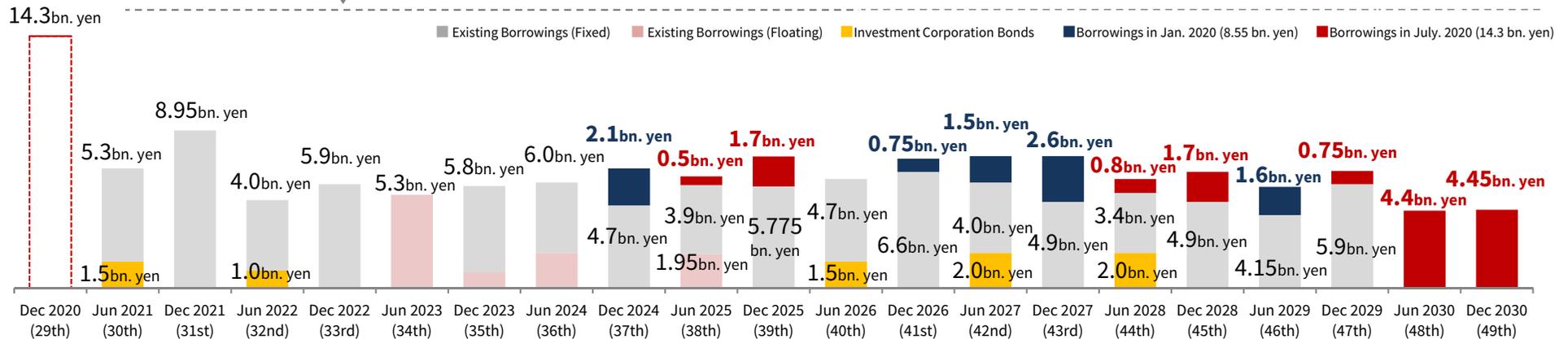
Lenders	Amount	Period	Interest rate
Mizuho Bank, Aozora Bank, Mizuho Trust Bank	3.35 bn. yen	10 years	Fixed
MUFG Bank	1.1 bn. Yen	10 years	Fixed
Mizuho Bank, Development Bank of Japan, Risona Bank	3.7 bn. Yen	9.5 years	Fixed
MUFG Bank	0.7 bn. Yen	9.5 years	Fixed
Fukuoka Bank	0.75 bn. Yen	9 years	Fixed
Sumitomo Mitsui Trust Bank	1.7 bn. Yen	8 years	Fixed (Interest swap)
Minato Bank	0.8 bn. Yen	7.5 years	Fixed
Sumitomo Mitsui Banking	1.7 bn. Yen	5 years	Fixed (Interest swap)
Hiroshima Bank	0.5 bn. Yen	4.5 years	Fixed
<b>Total / Weighted Average</b>	<b>14.3bn. yen</b>	<b>8.6 years</b>	<b>0.628%</b>

(Reference) Pre-borrowing conditions

5.4 years 1.028%

## Debt Maturity Ladder

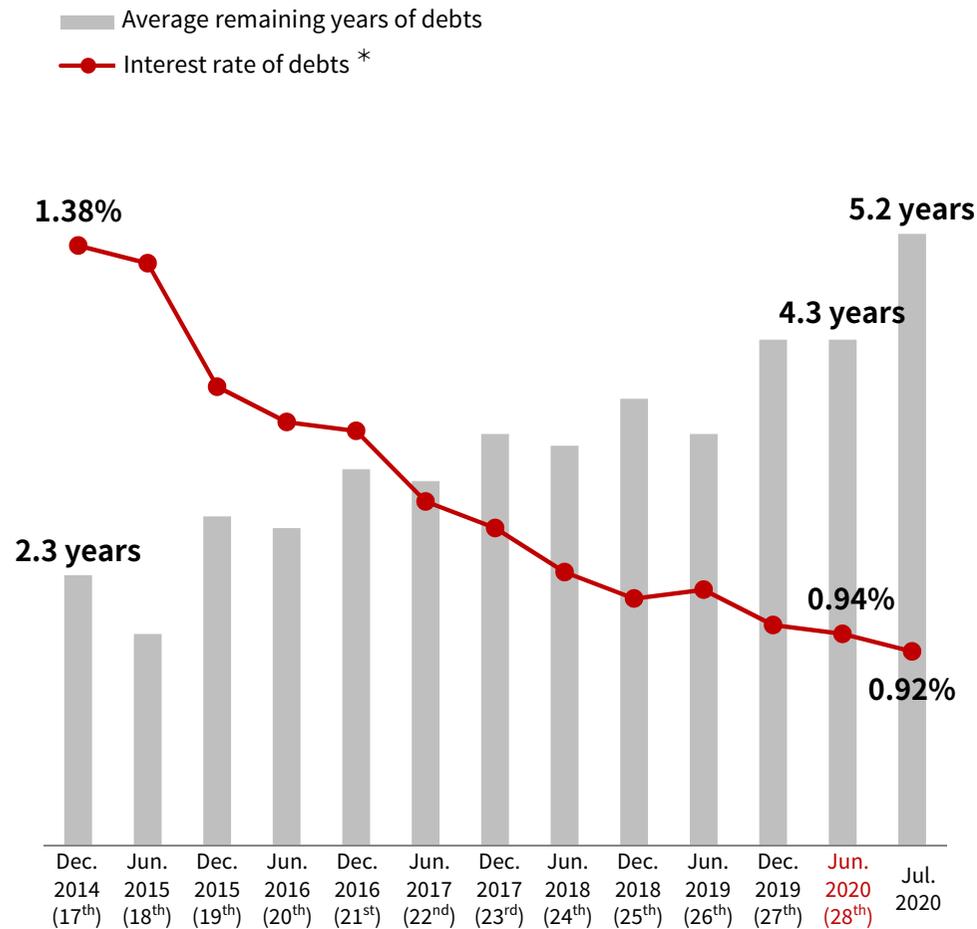
Commitment line limit of 15.0 bn. yen



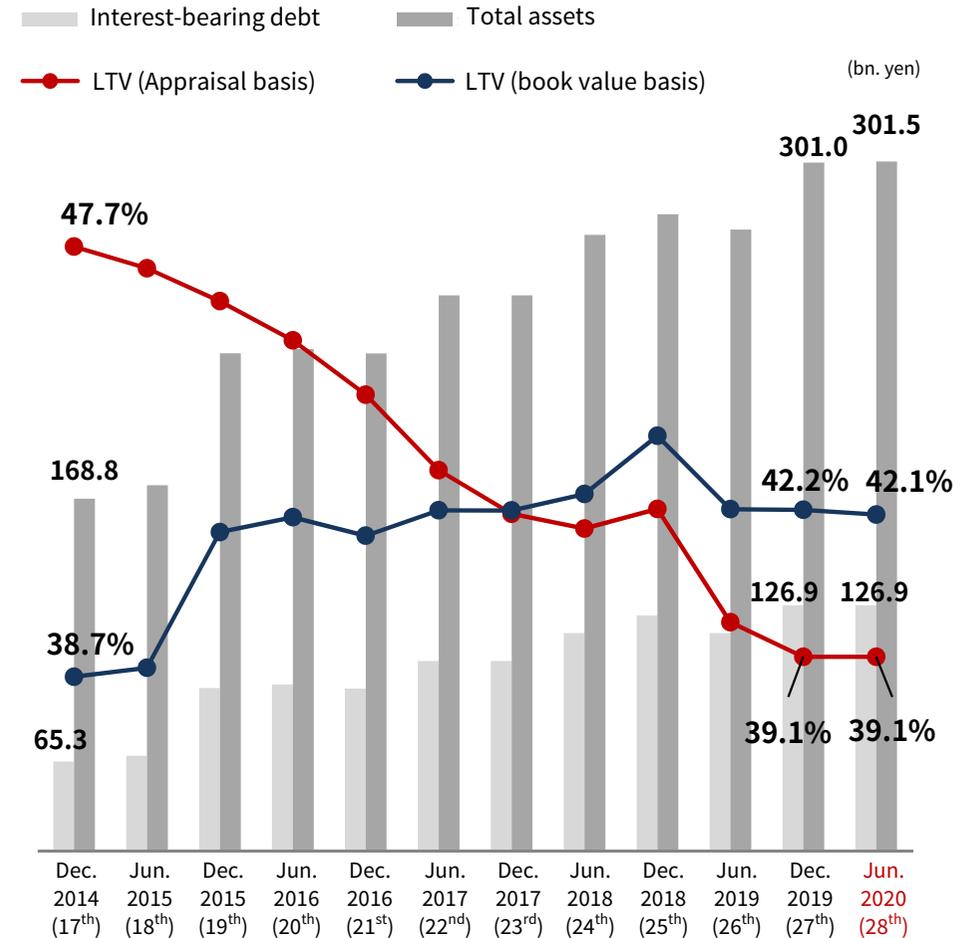
\* The fiscal period before the change in fiscal period end is shown.

# Reinforcement of robust financial base

 **Average Remaining Years and Average Interest Rate of Debts**



 **LTV**



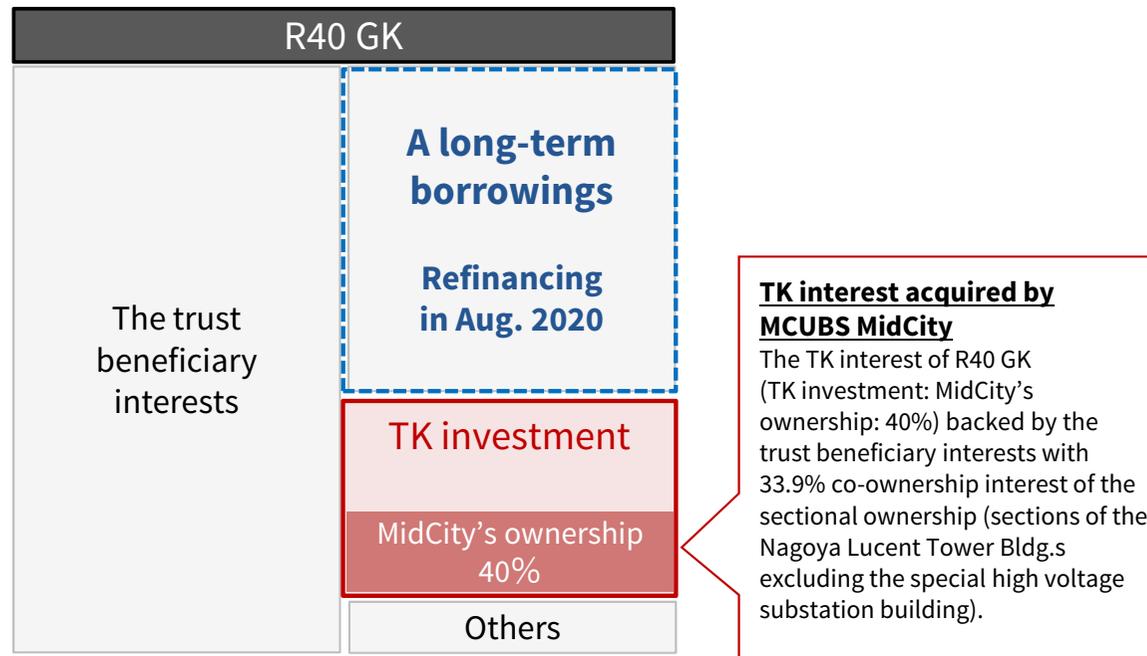
\* All-in-cost including debts-related expenses

# Potential for external growth: Nagoya Lucent Tower (silent partnership interest)



## Refinancing of a long-term borrowings

- ✓ R40 GK, in which MCUBS MidCity has a silent partnership, has reached the maturity date of the loan in August 2020, and completes refinancing into a floating loan.
- ✓ Economic conditions have improved and dividends receivable from investments in silent partnerships will be increased.



Name	Nagoya Lucent Tower
Location	Nishi-ku, Nagoya-shi, Aichi
Access	5min walk from Nagoya station
Acquisition Price	4,919 mn yen
Construction Completion	Nov. 2006 (14 years)
Floor	B3/42F
Date Acquired	Aug., 2015
Total Floor Space	14,100.54m <sup>2</sup> ※Total
Total land space	137,115.68m <sup>2</sup> ※excluding the special high voltage substation building

# Office Market Outlook and Management Policy in the post-COVID-19

New supply of office buildings in both Tokyo and Osaka will be small until 2022, and **no major adjustments will occur** from a supply perspective



Due to changes in work styles and economic stagnation triggered by the shift to IT, the shift to DX, and COVID-19, **Need to be alert to a decline in office floor demand**



In the short term, demand for office floor space may decline in urban centers. On the other hand, it also creates **demand for satellite offices, demand for more space per person**



**The office is a necessary space for advanced communication/creating creative ideas with Co-Workers**

It is necessary to **provide new value-added services** to meet the needs of the office, which is undergoing a major transformation.

To that end, **it is essential that the ability to acquire and operate properties that "support new ways of working"**.



# Announced a merger with Japan Retail Fund Investment Corporation

As the largest diversified REITs in Japan investing in real estate assets constituting the basis for urban living, announced a merger with Japan Retail Fund Investment Corporation, which is managed by the same asset management company.

Significantly improved portfolio stability with approximately 1.2 trillion yen in asset size

Name of the new investment corporation	<b>Japan Metropolitan Fund Investment Corporation</b> (Abbreviation : JMF)	
Method of the Merger	Absorption-type merger Surviving corporation: Japan Retail Fund Investment Corporation (JRF) Dissolving corporation: MCUBS MidCity Investment Corporation (MMI)	
M&A Schedule	August 28, 2020	Execution of the Merger Agreement
	September 13, 2020	Record date for meeting of unitholders
	October 22, 2020	Meeting of unitholders
	February 25, 2021	Delisting
	March 1, 2021	Effective date of the Merger
Asset Manager	Mitsubishi Corp.-UBS Realty Inc.	

\* For details, please refer to the "Investor Presentation for the Merger" dated Aug. 28, 2020 and the press release.

# Forecasts for Fiscal period ended Feb. 2021 (Jul. 1, 2020~ Feb. 28, 2021 (8month))

- Assuming that the merger takes effect, fiscal period ending Feb. 2021 is scheduled for 8 months.
- In consideration of unitholders' interests, reserve for reduction entry from the replacement of assets are **fully reversed as a cash payment upon the merger.**

	Fiscal Period ended Feb. 28, 2021 (29th Period) Forecast Jul. 1, 2020~ Feb. 28, 2021 (8month)	Prerequisite	Fiscal Period ended Jun. 30, 2020 (28th Period) Actual	Compared to the 28th Period Actual
Operating revenue	12,233 mn yen	Anticipate lower occupancy rates due to the COVID-19. Some variable income items were planned conservatively.	9,061 mn yen	+35.0%
Operating income	5,322 mn yen	The odd period is the period when utility costs are high. Repairs expenses were estimated conservatively.	4,276 mn yen	+24.5%
Net income	4,379mn yen	Incl. 142 million yen in merger-related expenses	3,657 mn yen	+19.8%
Reversal of reserve for reduction entry	<b>998</b> mn yen		—	—
Amount of payment upon the merger	5,377 mn yen	When the merger takes effect, calculated cash payment upon the merger that will be paid in lieu of cash equivalent to cash distributions for the last business period, assuming 29th Period is the last business period	Total distributions 3,655 mn yen	+47.1%
Payment upon the merger per unit	<b>3,014</b> yen		Distribution per unit 2,049円	+47.1%

\* The figures are based on assumptions in the "SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020" released on August 28, 2020.

# Continue proactive ESG initiatives

- Responding flexibly to changing demands for office functions such as “workability”, by continuing proactive ESG initiatives
- Maintaining a high reputation by external agencies through advanced initiatives to date



## For the Next Generation Office

One of the most important ESG materiality is **"health, comfort and convenience for people (residents)"**.

### □ Improved space for tenant employees

Renewed communication and refreshment areas

Example: Yokohama i-land Tower,  
Sendai Capital Tower



Yokohama i-land Tower

### □ Acquired “CASBEE for Wellness Office” certification

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)



G-Square Shibuya Dogenzaka



## Maintaining a high reputation by external agencies

### □ 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



### □ Received "AA" ESG rating from MSCI Japan for the first time in J-REIT and maintain the "AA" rating in 2020

- Included in MSCI Japan ESG Select Leaders Index (December 2018)  
\* Index in which GPIF makes passive investments linked to the index
- Acquired **"AA" ESG rating for the first time in J-REIT** (March 2019)
- Three Investment Corporations for which MCUBS is the asset manager ranked among the eight J-REITs included in the index

As of June 2020	ESG rating
MCUBS MidCity Investment Corporation	<b>AA</b>
Japan Retail Fund Investment Corporation	<b>AA</b>
Industrial & Infrastructure Fund Investment Corporation	<b>A</b>

# Memo

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# Appendix



# 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 (m <sup>2</sup> )	Occupancy rate (%)	No. of tenants
■ Office										
Tokyo area	OT-1	Sumitomo Fudosan Ueno Bldg. No. 6	Taito-ku, Tokyo	7,460	8,690	7,495	15.9%	6,858.16	100.0	2
	OT-2	G-Square Shibuya Dogenzaka	Shibuya-ku, Tokyo	12,220	17,000	12,098	40.5%	5,051.06	100.0	9
	OT-3	Shibuya Sakuragaoka Square	Shibuya-ku, Tokyo	17,130	19,700	17,251	14.2%	6,379.66	100.0	4
	OT-4	Yokohama Creation Square	Kanagawa-ku, Yokohama	7,080	8,250	6,967	18.4%	12,704.18	99.2	43
	OT-5	Cube Kawasaki	Kawasaki-ku, Kawasaki	20,050	23,600	20,539	14.9%	24,494.06	100.0	10
	OT-6	Higashi Nihombashi Green Bldg.	Chuo-ku, Tokyo	2,705	3,200	2,827	13.2%	3,254.77	100.0	7
	OT-7	Sasazuka Center Bldg.	Shibuya-ku, Tokyo	8,700	9,310	9,044	2.9%	8,240.30	100.0	9
	OT-8	USC Bldg.	Koto-ku, Tokyo	10,800	11,500	11,037	4.2%	12,487.73	93.9	9
	OT-9	Yoshiyasu-Kanda Bldg.	Chiyoda-ku, Tokyo	4,000	4,250	4,207	1.0%	3,149.39	100.0	7
	OT-10	TOYOTA MOBILITY SERVICE Bldg.	Chuo-ku, Tokyo	9,200	10,400	9,560	8.8%	6,123.81	100.0	1
	OT-11	M-City Akasaka 1-chome Bldg.	Minato-ku, Tokyo	4,205	4,470	4,379	2.1%	2,550.44	100.0	12
	OT-12	Yokohama i-land Tower	Naka-ku, Yokohama	22,100	23,900	23,640	1.1%	25,460.50	100.0	7
	OT-13	M-City Edogawabashi Bldg.	Bunkyo-ku, Tokyo	4,070	4,240	4,124	2.8%	3,472.70	100.0	2
	OT-14	East Square Tokyo	Koto-ku, Tokyo	9,500	9,760	9,924	-1.7%	12,208.42	77.5	12
Osaka area	OO-1	Twin 21	Chuo-ku, Osaka	68,700	60,300	65,443	-7.9%	82,304.82	98.0	103
	OO-5	MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	2,670	3,043	-12.3%	4,277.63	100.0	21
	OO-7	Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	11,500	10,216	12.6%	10,189.49	100.0	10
	OO-8	MID NishiHommachi Bldg.	Nishi-ku, Osaka	3,550	2,600	3,299	-21.2%	3,881.74	100.0	18
	OO-9	Higobashi MID Bldg.	Nishi-ku, Osaka	3,000	4,400	2,737	60.7%	4,655.57	100.0	12
OO-10	Osaka YM Bldg.	Fukushima-ku, Osaka	6,310	8,180	6,602	23.9%	9,952.88	100.0	28	
Others	OR-1	Sendai Capital Tower	Aoba-ku, Sendai	5,500	6,800	5,744	18.4%	12,999.80	95.2	75
Subtotal (Office/21 properties)				240,350	254,720	240,186	6.1%	260,697.11	97.7	401
■ Other than office										
Tokyo area	RT-1	AEON MALL Tsudanuma	Narashino-city, Chiba	26,100	29,000	23,276	24.6%	101,210.44	100.0	1
	HT-1	Hotel Vista Premio Tokyo	Minato-ku, Tokyo	11,200	11,000	11,660	-5.7%	4,236.46	100.0	2
Osaka area	RO-1	Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	3,430	2,302	49.0%	9,586.26	100.0	1
Others	HR-1	Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	4,560	2,043	123.1%	5,554.91	100.0	2
Subtotal (Other than office/4 properties)				42,360	47,990	39,282	22.2%	120,588.07	100.0	6
Subtotal				282,710	302,710	279,468	8.3%	381,285.18	98.5	407
■ TK interest for office										
Nagoya area	TK-1	Nagoya Lucent Tower (Equity Investments in Silent Partnership)	Nishi-ku, Nagoya	4,919	-	-	-	-	-	-
Total				287,629	302,710	279,468	8.3%	381,285.18	98.5	407

\* As of the end of June 2020

Think bold today for a brighter tomorrow.



## MCUBS MidCity Investment Corporation

### Disclaimer

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

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

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