



# 15<sup>th</sup> Fiscal Period

## Business Report

July 1, 2013 to December 31, 2013



**MID REIT, Inc.**  
1-4-4 Dojimahama, Kita-ku, Osaka



# Leadership Message



Executive Director, MID REIT, Inc.  
President & CEO, MID REIT Management Co., Ltd.

Tomoyuki Goto

With the end of the 15th fiscal period (July 1, 2013 to December 31, 2013) and start of the 16th fiscal period of MID REIT, Inc. (MID REIT), Tomoyuki Goto, President & CEO of MID REIT Management Co., Ltd. (MID REIT Management), was interviewed on the activities of the 15th fiscal period and the outlook for the next period onward in light of Kansai economy trends and the real estate market conditions.

**Q.1** What are the trends in the Osaka economy? Do you feel that the improvements seen in the overall Japanese economy are evident?

We feel that the Osaka economy is improving as well. The Kinki Finance Bureau has raised the overall view of the Kinki economy for four consecutive quarters and announced that the strength of the economy is becoming clearer

with the increase of private consumption against the backdrop of the improvement in employment. Moreover, in the survey of owners of small and medium sized companies, there was an increase in the number that responded the economic outlook for 2014 and sales of their company were “better” compared to the previous year.

There were also active movements in tenant trends since early fall. Osaka has many companies involved in pharmaceuticals and there were several such companies among those that moved into MID REIT properties or from whom applications have been received, since October. In addition, we feel that tourists are returning, compared to before. One factor could be the opening of new retail facilities such as Grand Front Osaka and Abeno Harukas which increased the flow of people.

**Q.2** What are the reasons behind the acquisition of Dormy Inn Hakata Gion during the period and what was judged to be good about the property?

While the environment of the office leasing market of Osaka, which is MID REIT’s main

investment area, seems to be on a recovery trend with the steady decrease in vacancies, we believe that it will take some time before the rent level will visibly increase. In the Osaka real estate investment market, opportunities are limited for acquiring relatively new and competitive office buildings along main streets at prices which MID REIT deems to be appropriate, such as was the case with Higobashi MID Building in Osaka during the previous period. Even when properties are put on the market for sale, prices surge from many parties scrambling to acquire the property, making acquisitions at appropriate prices difficult. MID REIT will continue to consider acquisitions of office buildings in Osaka. However, it is also important to further external growth by acquiring properties that will secure stable revenues in the medium to long term rather missing opportunities by only focusing on Osaka office buildings, and so Dormy Inn Hakata Gion was acquired during the period.

Long-term lease agreements are not the only factor for properties when it comes to securing stable revenues in the medium to long term. Appropriate property rent levels and tenants having sufficient capacity to pay the rent are also critical. Dormy Inn Hakata Gion, acquired during the period,

## Contents

Leadership Message	1	Status of Osaka	10
External Growth	6	Portfolio Overview / Portfolio Analysis	11
Financial Status	7	Portfolio Map	12
Internal Growth	8	Asset Management Report	13
About MID REIT	9	Investment Unit Status	14

Cover: Osaka Castle 3D Projection Mapping Super Illumination

## 15th Fiscal Period Financial Highlights

(July 1, 2013 to December 31, 2013)

	14th Fiscal Period	15th Fiscal Period	16th Fiscal Period (Forecast) <sup>(Note)</sup>	17th Fiscal Period (Forecast) <sup>(Note)</sup>
Operating revenue	5,457 million yen	5,265 million yen	5,150 million yen	5,135 million yen
Ordinary income	105 million yen	1,177 million yen	1,135 million yen	1,085 million yen
Net income	104 million yen	1,175 million yen	1,133 million yen	1,083 million yen
Number of units	183,625 units	183,625 units	183,625 units	183,625 units
Distribution per unit	567 yen	6,404 yen	6,170 yen	5,900 yen

Asset size: **157.6** billion yen    Number of properties: **12**    Occupancy rate: **96.1** %

(Note) The forecast figures above were calculated as of February 18, 2014 under certain assumptions and may change according to changes of circumstances. Furthermore, the forecasts do not guarantee the full amount of distributions.



has a high occupancy rate and is an extremely competitive hotel among those specializing in accommodation. In addition to its favorable location and size, it is operated by Kyoritsu Maintenance Co., Ltd., a hotel operator with excellent experience in this category, and the property is also highly competitive in the area. On top of its main business of working with dormitories, operating more than 50 Dormy Inn hotels, Kyoritsu Maintenance also works in other sectors including the hotel business and various other businesses. It is a creditworthy company that not only works with hotels but has established a solid management base as a company with the theme of “food and living.” In light of these strengths, we decided to acquire Dormy Inn Hakata Gion.

Q.3

**There was redemption of silent partnership interests during the period. Could you tell us about the reasons behind the initial investment and the ensuing sequence of events?**

MID REIT invested in a silent partnership operated by Sakura Dori Development LLC, the developer of Sakura Dori MID Building, in November 2007.

Sakura Dori MID Building is located along Sakura Dori, one of Nagoya’s main streets. The project started as a development of an office building that could expect tenant demand. Competition for acquiring properties was intense in the period when the investment was made, and MID REIT, in an aim to acquire new properties, made a 10% investment in the silent partnership interest for the purpose of acquiring preferential negotiation rights for a set period (six months following the completion of the building) for the acquisition of Sakura Dori MID Building.

After this, the real estate market entered a

severe stage with the global financial crisis in September 2008.

Sakura Dori MID Building was not exempt from this downturn. Following deliberations by MID REIT taking into consideration the occupancy status of the property, the real estate market and economic environment, MID REIT decided not to exercise the preferential negotiation rights, whose deadline was the end of August 2009, and the acquisition was not made.

Even after the refinancing of Sakura Dori Development LLC in March 2010, the investment in silent partnership was continued while gaining certain negotiation rights regarding the acquisition of Sakura Dori MID Building with the other silent partnership interest holders, waiting for the real estate market to recover. However, further time would be required until the level of recovery that MID REIT was hoping for could be reached. Sakura Dori Development LLC, the developer, then started to consider the sale of the property, and MID REIT gave up on the acquisition after a party indicated a desired purchase price larger than the price which MID REIT had deemed to be appropriate in Nagoya’s office leasing market. Sakura Dori MID Building was sold in August 2013 and a loss on liquidation of the silent partnership interest was recorded in the fiscal period due to the loss on transfer.

Q.4

**Are office leasing market conditions improving and vacancies being filled? Is the competition high for obtaining new tenants?**

In the office leasing market, tenants continue to ask for demanding conditions. However, negotiations are leading to the conclusion of contracts, resulting in the promotion of new tenants moving in.

The same is true for properties owned by

MID REIT. Leasing for the relatively large amount of vacant floor area at Matsushita IMP Building caused by the tenant departure at the end of March last year was a challenge, but a lease finance company moved in for office consolidation at the end of December the same year. There was also a tenant departure for a single floor at Kitahama MID Building, but a successor tenant moved in with no vacancy period.



Floor of Matsushita IMP Building in which a large-scale tenant has moved in

There seem to be many cases of tenants who had been considering relocating their Osaka offices from before, but who hesitated due to the impact of the economic downturn. However, perhaps partly due to the effects of Abenomics, companies started to turn their eyes from Tokyo to regional areas as well, and office relocations in Osaka can be seen. Even if the direct economic merits that accompany office relocations are not very large, we feel that better locations and a change of environment have become good enough reasons for relocations now. We believe that the key going forward is to predict the bottom of the office leasing market by communicating with a range of market players.

Q.5

**It seems as though economic trends and the real estate market in Osaka are becoming brighter. What is the situation regarding property acquisitions through MID REIT’s sponsor pipeline?**

MID Urban Development Co., Ltd., the sponsor of MID REIT, works in a wide range of fields from its building business to housing business as a leading general real estate developer. Currently, the housing business is leading in the company’s performance with very strong results. In the building business, Higobashi MID Building, developed four years ago and whose occupancy rate had dropped to the 70% level due to tenant departures, recovered to a more than 95% occupancy rate and the property was subsequently sold to MID REIT in the previous fiscal period. In addition, during the 15th fiscal period, MID Urban Development sold Dormy Inn Hakata Gion, a property it developed five years ago with stable revenues, to MID REIT, and so we believe that our sponsor is sufficiently fulfilling its pipeline function. Regardless of the sponsor’s business size, the positioning of the business model of the general developer supplying developed properties to the REIT is no different from other groups.

MID Urban Development is currently developing a hotel specializing in accommodation in Kyoto which is scheduled to be completed in the middle of March 2014. Furthermore, the office building being developed in Kyobashi, Tokyo whose construction began in December 2013 is a property which MID REIT initially owned and which was later acquired by the sponsor, and redevelopment is currently underway.

We believe that MID Urban Development as a general real estate developer will continue to sufficiently serve as an important pipeline for MID REIT.



**Q.6 What was the financial strategy objective of decreasing LTV through partial repayment of borrowings?**

With the refinancing of 28.5 billion yen of borrowings at the end of July 2013, 6.0 billion yen or the equivalent of the sale price of Panasonic Osaka Kyobashi Building, which was sold before the refinancing, was repaid from the perspective of efficiency of funds and soundness of finances. Through this, the LTV was decreased as were financial costs, and dividend funds were increased. Moreover, cash on hand was utilized for acquisition funds for Higobashi MID Building, which was acquired at the same time.

The LTV based on book value decreased to an even lower level, but considering the unrealized loss of properties, the LTV based on market value continues to not be at a safe level. However, this does not mean that acquisitions through borrowings cannot be made. We will consider the balance of financial soundness and the increase of profitability through external growth, and look at properties by carefully considering their positive and negative points.

**Q.7 With the conclusion of relatively large lease agreements in the previous fiscal period, it seems that the office market conditions in Osaka are improving. Considering this, what is the outlook for distributions for the next fiscal period (ending June 2014)?**

Distributions of 6,170 yen are expected for the next fiscal period. While the average vacancy rate is decreasing in the Osaka office leasing market and there are signs of recovery, the rent level has yet to recover. As such, since it will be difficult even when new tenants are contracted

to get the same level of rent as the former tenants, we believe that a harsh environment will be ongoing in 2014 and that the bottom of the office leasing market will be in 2015.

With this outlook, we believe that the maintenance and improvement of the occupancy rate of Twin 21, a flagship property, is important in maintaining the current revenues of MID REIT. There is of course some vacant floor space remaining at Matsushita IMP Building, and we will aim to refill these spaces as soon as possible.

**Q.8 What is the future outlook of MID REIT in the context of the positive signs in the real estate market and those in the REIT sector starting to make moves?**

We certainly feel that the real estate market is regaining its vitality such as with the funding efforts of many REITs through public offerings and other means. In furthering the external growth of MID REIT, there are limits to the capacity of making acquisitions using only cash on hand and borrowings. Therefore, the important thing in moving to the next stage will be growth by way of procurement of funds through public offerings and other means. We believe that the reason that MID REIT has yet to conduct a public offering in the favorable real estate market environment is that there are still issues to be addressed beforehand. It may take some time to overcome these issues, but all officers and personnel at MID REIT will work diligently to address the short-term as well as medium- to long-term challenges in order to move to a new stage and for the steady growth of the REIT.

### Introduction of Newly-Acquired Property

In addition to the perspective of investment diversification, Dormy Inn Hakata Gion, acquired during the 15th fiscal period, was deemed ideal for the Investment Corporation for the following reasons:

- The property was developed by sponsor MID Urban Development and the acquisition would be conducted through the support of the sponsor
- Stable revenues (fixed rent) would be secured through a long-term fixed-term building lease agreement
- The hotel section is leased in its entirety to a tenant that operates the facilities
- The location is excellent (two-minute walk from Gion Station, which is one stop away from Hakata Station) and market competitiveness is high



<b>Property name</b>	Dormy Inn Hakata Gion	<b>Floors</b>	10F
<b>Location</b>	1-12 Reisen-machi Hakata-ku, Fukuoka	<b>Acquisition price</b>	2,280 million yen
<b>Construction completed</b>	January 2009	<b>NOI yield</b>	6.5%
<b>Total land space</b>	1,002.27m <sup>2</sup>	<b>NOI yield after depreciation</b>	4.8%
<b>Total floor space</b>	5,633.28m <sup>2</sup>	<b>Assumed NOI yield (Note)</b>	148 million yen per year
<b>Structure</b>	RC		

(Note) MID REIT's estimated figures for time of steady stable occupancy



### Recording of Loss on Liquidation of Silent Partnership Interests

As an initiative for a development-type project in collaboration with the sponsor, MID REIT invested a total of 211 million yen from November 2007 in silent partnership interests (hereafter the "Silent Partnership Interests") in a silent partnership (hereafter the "Silent Partnership") operated by Sakura Dori Development Limited Liability Company, and had acquired preferential negotiation rights for the acquisition of Sakura Dori MID Building, the asset owned by the Silent Partnership. However, due to reasons such as the deterioration of market conditions following the completion of construction, the acquisition was not carried out as it is judged that the initial prospects for revenues could not be secured.

MID REIT continued to hold its Silent Partnership Interests, but the Silent Partnership Interests were later redeemed as Sakura Dori MID Building was to be sold in August 2013. Due to this, investments in the Silent Partnership were liquidated, and 116 million yen of loss on the liquidation of the Silent Partnership Interests were recorded in the 15th fiscal period.

#### Balance of the Silent Partnership Interests (Interests Held by MID REIT)

Content	Amount
Silent partnership interests (total amount of initial investments)	211 million yen
Amount of cumulative loss throughout the 14th fiscal period (ended June 2013)	49 million yen
Amount of redemption of the silent partnership interests	46 million yen
Amount of loss in the 15th fiscal period (ended December 2013)	116 million yen

#### Scheme of Sakura Dori Development LLC (as of August 2013)

Asset	Debt
Sakura Dori MID Building	Senior loan
	Mezzanine loan
	(Of this, redemption amount)
Loss of silent partnership interest	Capital
	Silent partnership interest

MID REIT completed refinancing of 22.5 billion yen in loans in July 2013.

The following is the status of debt financing as of December 31, 2013.

### Breakdown of Debt Financing

Type	Lender	Balance (million yen)	Interest Rate	Drawdown Date	Repayment Date	Repayment Method	Remarks
Long-term loans payable (Note 1)	Term loan (4 years and 11 months) Mizuho Bank, Resona Bank, Shinkin Central Bank, Nanto Bank	6,500	JBA Japanese Yen TIBOR + 1.0% (Note 2)	Aug. 31 2010	July 31 2015	Bullet payment	Unsecured Unguaranteed
	Term loan (6 years and 11 months) Development Bank of Japan	4,250	1.79507% (Note 6)	Aug. 31 2010	July 31 2017	(Note 7)	Unsecured Unguaranteed
	Term loan (3 years) Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank, Resona Bank, Shinkin Central Bank, Senshu Ikeda Bank	13,800	JBA Japanese Yen TIBOR + 0.6% (Note 3)	July 29 2011	July 31 2014	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years) Mizuho Bank, Development Bank of Japan	4,000	1.36375% (Note 6)	July 29 2011	July 31 2016	Bullet payment	Unsecured Unguaranteed
	Term loan (3 years) Mizuho Bank, Sumitomo Mitsui Banking, Resona Bank, Mitsubishi UFJ Trust and Banking, Senshu Ikeda Bank	8,500	JBA Japanese Yen TIBOR + 0.6%	July 31 2012	July 31 2015	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years) Sumitomo Mitsui Trust Bank, Aozora Bank	4,300	JBA Japanese Yen TIBOR + 0.8% (Note 4)	July 31 2012	July 31 2017	Bullet payment	Unsecured Unguaranteed
	Term loan (7 years) Development Bank of Japan	1,700	1.52375% (Note 6)	July 31 2012	July 31 2019	Bullet payment	Unsecured Unguaranteed
	Term loan (3 years) Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank, Mitsubishi UFJ Trust and Banking, Shinkin Central Bank, Senshu Ikeda Bank, Nishi-Nippon City Bank, Hyakugo Bank	15,900	JBA Japanese Yen TIBOR + 0.6%	July 31 2013	July 29 2016	Bullet payment	Unsecured Unguaranteed
	Term loan (5 years) Mizuho Bank, Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Banking, Aozora Bank	4,800	JBA Japanese Yen TIBOR + 0.8% (Note 5)	July 31 2013	July 31 2018	Bullet payment	Unsecured Unguaranteed
	Term loan (7 years) Development Bank of Japan, Minato Bank	1,800	1.70875% (Note 6)	July 31 2013	July 31 2020	Bullet payment	Unsecured Unguaranteed
TOTAL		65,550					

(Note 1) Loans are co-financed by the banks in the list.

(Note 2) In accordance with the interest-rate swap agreement, the actual interest rate is 1.447% (p.a.) up to the principal repayment date.

(Note 3) In accordance with the interest-rate swap agreement, the actual interest rate is 1.0625% (p.a.) up to the principal repayment date.

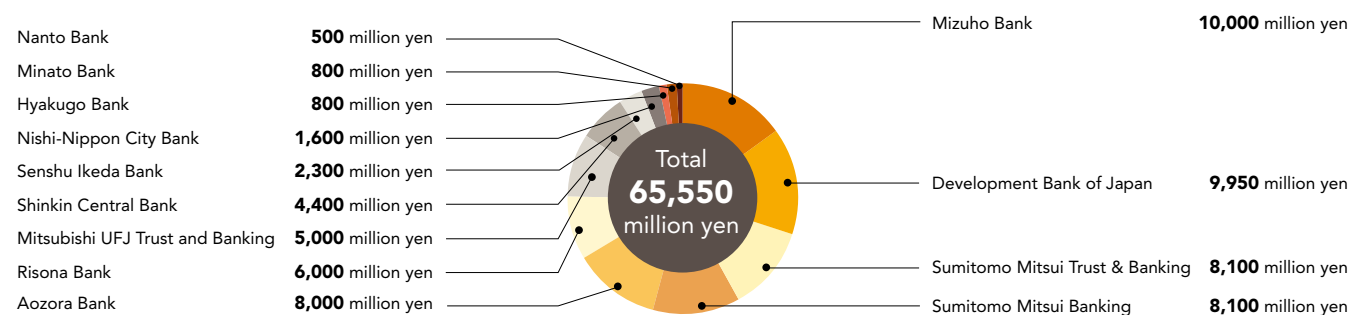
(Note 4) In accordance with the interest-rate swap agreement, the actual interest rate is 1.141% (p.a.) up to the principal repayment date.

(Note 5) In accordance with the interest-rate swap agreement, the actual interest rate is 1.297% (p.a.) up to the principal repayment date.

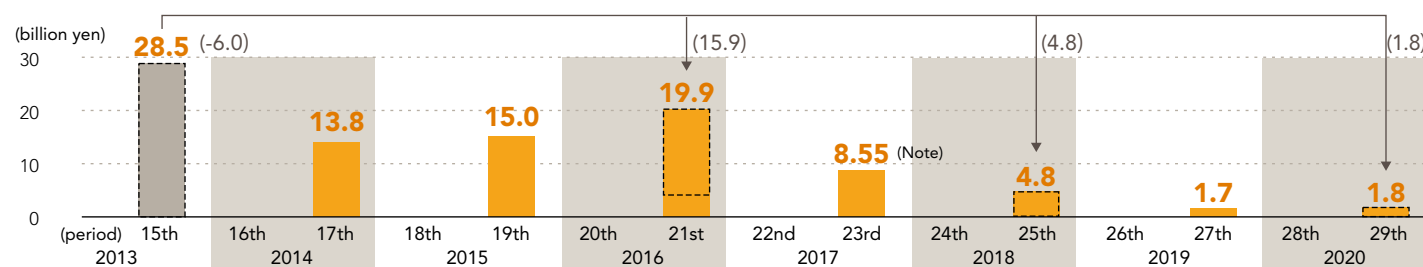
(Note 6) Interest rates are fixed.

(Note 7) Repayment of 125 million yen shall be made respectively at the end of January and July every year, starting on January 31, 2011, and the final repayment shall be made on July 31, 2017 for 3,375 million yen.

### Borrowing Status by Bank

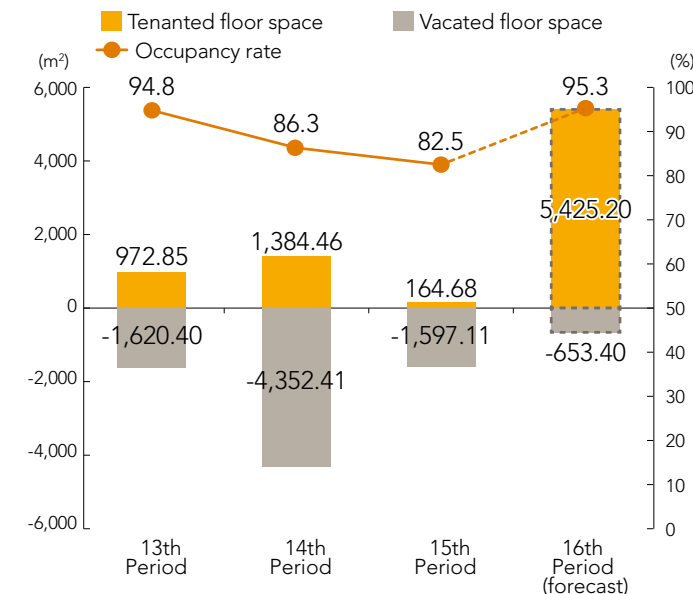


### Diversification of Repayment Dates



(Note) For the 4.25 billion yen of 8.55 billion yen that will mature in the 23rd fiscal period, it has been arranged that repayment of 125 million yen shall be made respectively at the end of January and July every year, starting on January 31, 2011, and the final repayment shall be made on July 31, 2017 for 3,375 million yen.

### Refilling of Space Vacated by Major Tenant at Matsushita IMP Building



MID REIT engaged in refilling the floor vacated by a major tenant at Matsushita IMP Building at the end of March 2013 as its focal issue.

As a result, a new tenant was brought in that occupies more floor space than the space that was vacated, and while the occupancy rate had fallen to 82.5% at one point, it is expected to recover to 95.3% in the fiscal period ending June 2014 (16th fiscal period). Though the contributions to revenues will begin in the fiscal period ending June 2015 (18th fiscal period) due to the setting of free rent, MID REIT was able to produce results for the leasing of Matsushita IMP Building, its largest challenge and concern.

(Note) The occupancy rate for the end of the 16th fiscal period is based on the new, expanded or decreased leased space for which lease agreements have been concluded or occupancy applications have been received, as well as the notices of cancellations which have been received as of the end of January 2014.

### Initiatives for Maintaining and Enhancing Rental Revenues

The common areas of Twin 21 and Matsushita IMP Building continue to be renewed to maintain and enhance asset value as well as enhance property competitiveness, all to increase tenant satisfaction and attract new tenants.

Furthermore, as a leasing strategy during the 15th fiscal period, stickers introducing the superiority of Osaka Business Park (OBP) were put on Keihan trains riding into Kyobashi Station, which can be used to access OBP where the two properties are located, thereby attracting companies along the line.

#### Matsushita IMP Bldg. Standard floor restroom



Installation of handrails

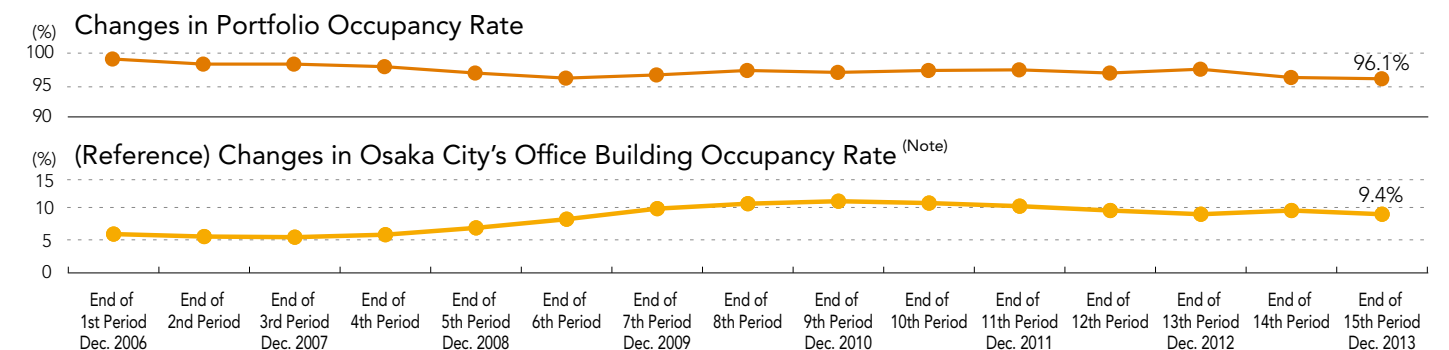


Installation of fitting boards



Stickers introducing the superiority of OBP

### Maintaining of High Occupancy Exceeding Osaka City's Business Area Occupancy Rate Since Listing

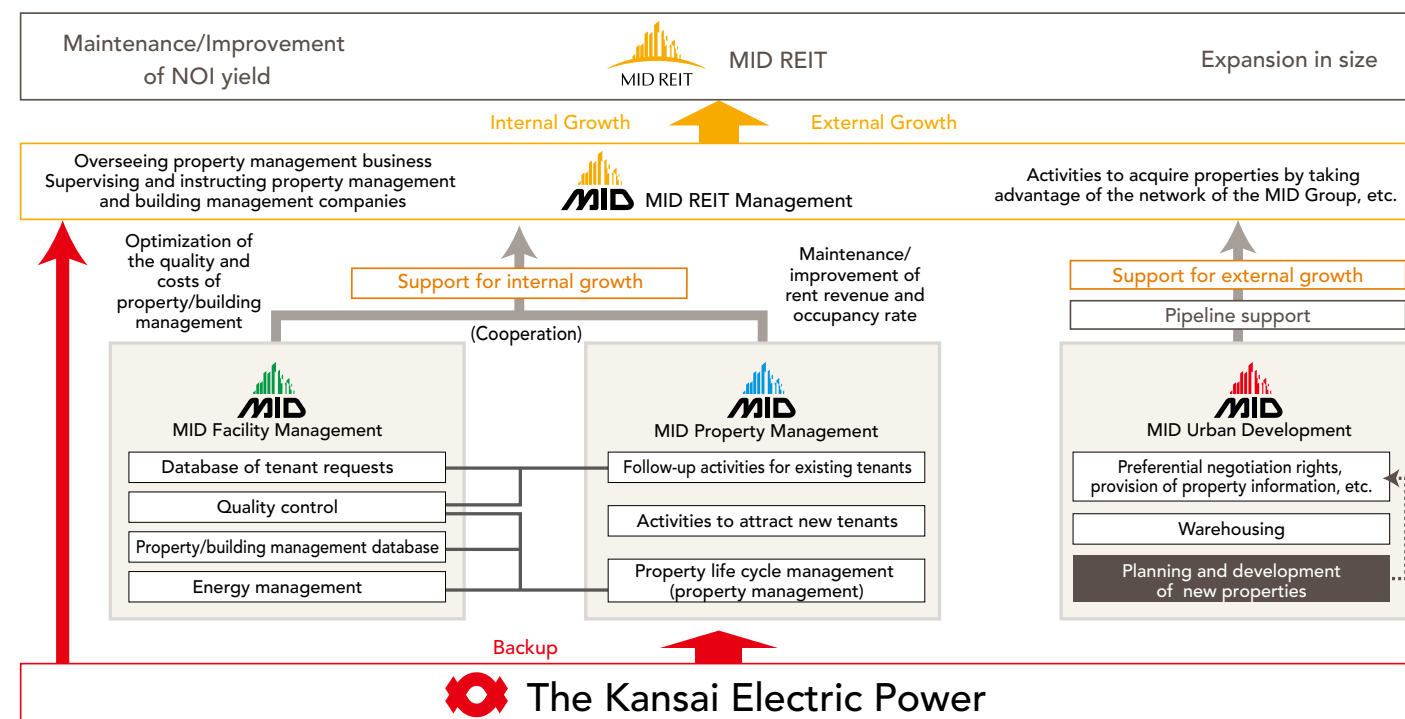


(Note) Source: CBRE

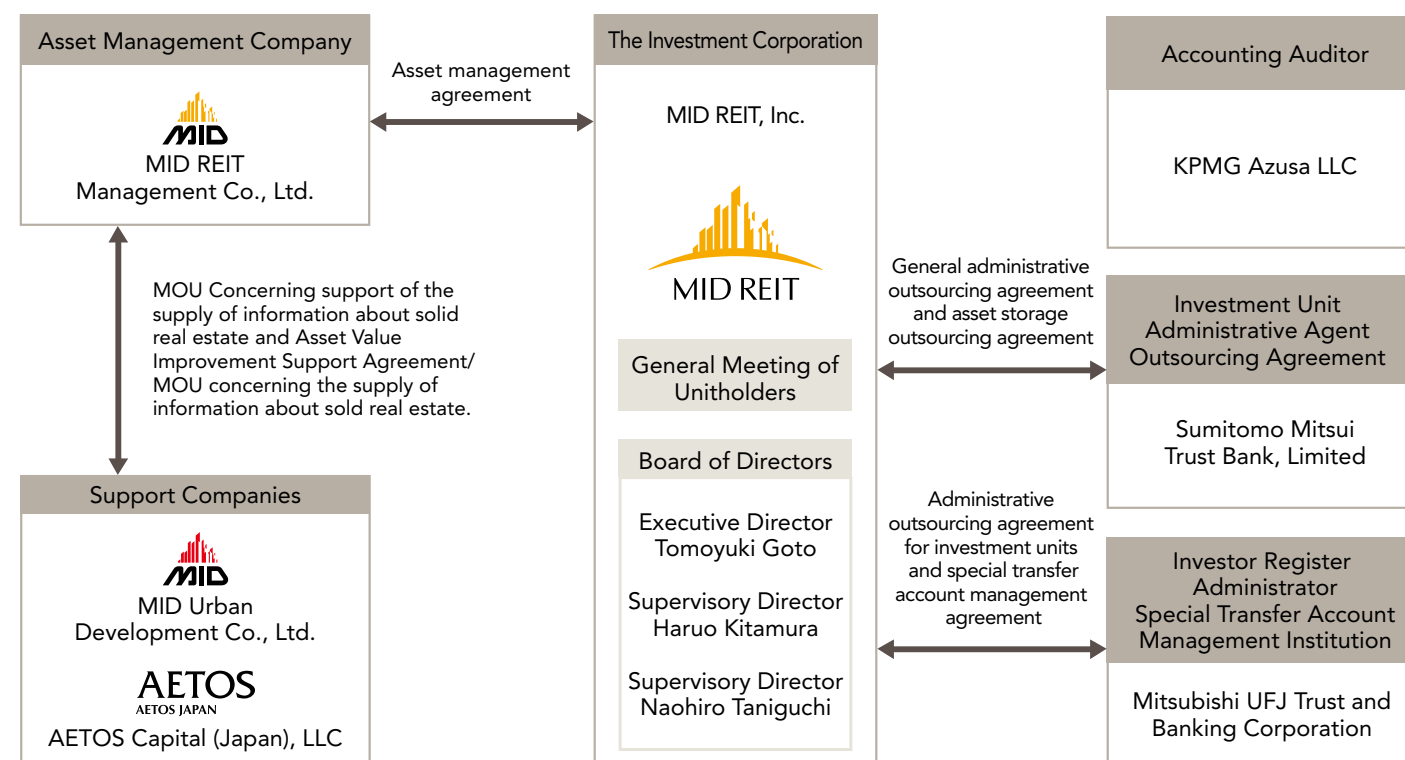


## Growth Strategy in Cooperation with the MID Group

MID REIT intends to realize both internal growth and external growth in cooperation with the MID Group and, by virtue of the cooperation, aims to secure stable revenues and achieve steady growth of the portfolio from a medium- to long-term perspective.



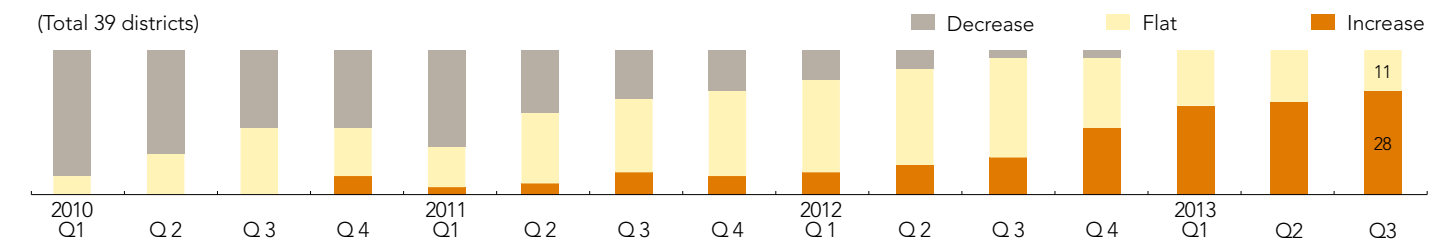
## Organization of MID REIT



## Land Price Trends in Osaka Prefecture

According to the Ministry of Land, Infrastructure, Transport and Tourism's Land Price LOOK Report for the third quarter of 2013 (July 1 to October 1), the land price of intensively used land in the Osaka area increased in 28 out of 39 districts and remained flat in the remaining 11 districts. With approx. 70% of the districts indicating an increase, it is apparent that there are ongoing trends towards the upturn of land prices.

### List of Districts with Increased, Flat and Decreased Land Prices (Osaka area)



Source: Ministry of Land, Infrastructure, Transport and Tourism

(Note) In each year, the first quarter is from January 1 to April 1, the second quarter from April 1 to July 1, the third quarter from July 1 to October 1 and the fourth quarter from October 1 to January 1.

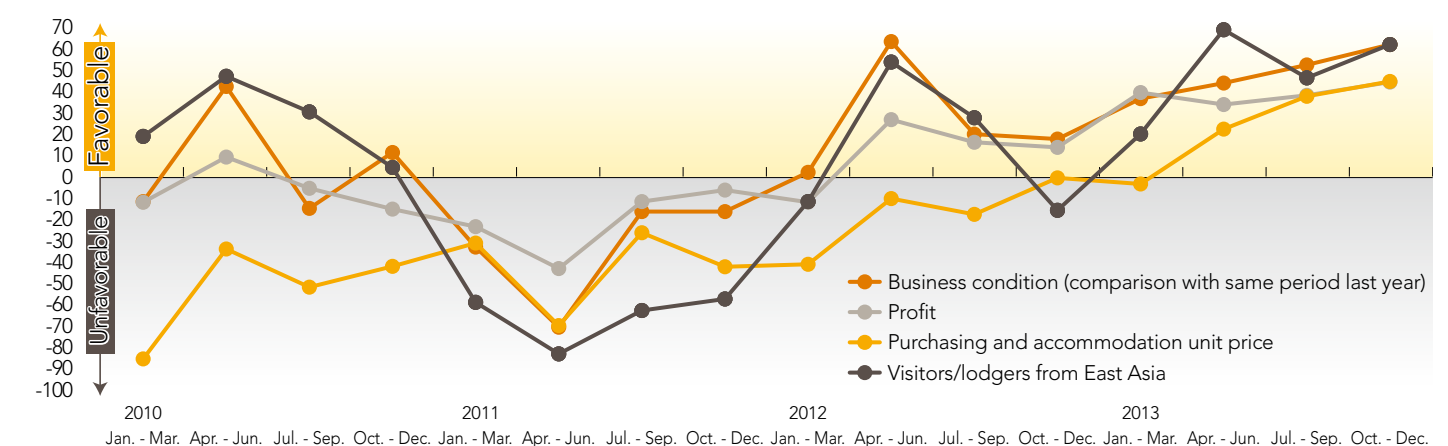
## Osaka Prefecture's "Visit Osaka Index" Survey Results (October to December of 2013)

The Osaka Prefectural Government conducted an economic survey on tourism targeting 52 companies involved in attracting tourists to Osaka Prefecture (accommodation facilities, tourism facilities and companies in the shopping, restaurant and tourist traffic sectors). Business conditions DI of the 34 respondents (response rate of 65.4%) showed an increase from the previous survey both from the previous period and the same period last year, and business conditions continue to be "favorable."

### Overall Trend of Tourists

	Business conditions (compared to same period last year)	Number of visitors/ lodgers (compared to same period last year)	Profit (compared to same period last year)	Purchasing and accommodation unit price (compared to same period last year)	Expected business conditions for the next period (compared to the previous period)
<b>Latest survey</b> (October to December of 2013)	62.5	67.6	44.9	45.2	53.1
<b>Previous survey</b> (July to September of 2013)	52.9	58.8	38.7	38.2	28.5
<b>Comparison</b>	↑ 9.6	↑ 8.8	↑ 6.2	↑ 7.0	↑ 24.6

### Trend Index (DI) "Increase/Favorable/Surplus (%)" – "Decrease/Unfavorable/Loss (%)"



Source: Osaka Prefectural Government

## Portfolio Overview

The following is the status of MID REIT's portfolio as of December 31, 2013.

Investment Category	Investment Area	Property Name	Location	Acquisition Price (million yen) (Note 1)	Investment Ratio (%) (Note 2)	Acquisition Date	Leasable Space (m <sup>2</sup> ) (Note 3)	Occupancy Rate (%) (Note 4)
Office Bldg.	Osaka area	Twin 21 (Note 5)	Chuo-ku, Osaka	68,700	43.6	August 2006	82,396.80	95.3
		Matsushita IMP Bldg.	Chuo-ku, Osaka	24,600	15.6	August 2006	37,375.89	82.5
		Midosuji MID Bldg.	Chuo-ku, Osaka	8,290	5.3	August 2006 October 2007	10,461.32	100.0
		MID REIT Kyobashi Bldg.	Miyakojima-ku, Osaka	2,300	1.5	August 2006	4,833.88	100.0
		MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	2.1	April 2007	4,277.65	100.0
		MID Midosujikawaramachi Bldg.	Chuo-ku, Osaka	2,000	1.3	May 2007	3,097.39	100.0
		Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	6.8	April 2008	10,189.49	98.2
		MID Nishihommachi Bldg.	Nishi-ku, Osaka	3,550	2.3	October 2008	3,877.38	96.7
		Higobashi MID Bldg.	Nishi-ku, Osaka	3,000	1.9	June 2013	4,655.58	96.5
		Subtotal (9 properties)		126,510	80.2		161,165.38	93.3
Other	Osaka area	Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	1.8	August 2006	9,586.26	100.0
	Other major cities	AEON MALL Tsudanuma	Narashino-shi, Chiba	26,100	16.6	August 2006	101,210.44	100.0
		Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	1.4	September 2013	5,554.91	100.0
		Subtotal (3 properties)		31,160	19.8		116,351.61	100.0
		Total (12 properties)		157,670	100.0		277,516.99	96.1

(Note 1) "Acquisition Price" states the sale price which is stated in the sales contract for the respective trust beneficiary interest, etc. (excluding various acquisition expenses, property taxes and consumption taxes, etc.).

(Note 2) "Investment Ratio" indicates the ratio of the acquisition price of the applicable asset to the total amount of acquisition prices and is rounded to the first decimal place.

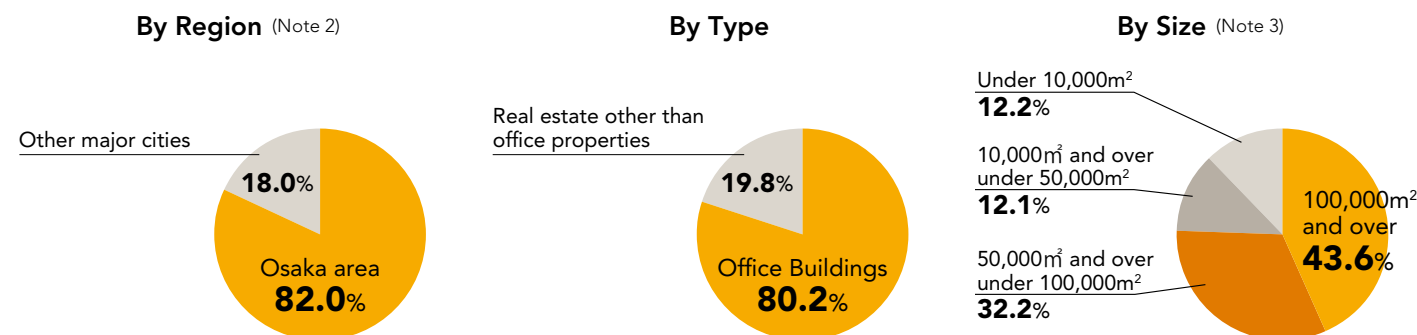
(Note 3) "Leasable Space" represents the total leasable floor space as of December 31, 2013. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc. However, the leasable space of Konami Sports Club Kyobashi and AEON MALL Tsudanuma include the floor space for common areas and parking, while the leasable space of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion include the floor space for common areas, each of which is leased in its entirety to a sole tenant.)

(Note 4) "Occupancy Rate" is presented as percentage figures, which are obtained by dividing the leased space as of December 31, 2013 by the leasable space. 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 space of each property group by the sum of the group's leasable space and rounded to the first decimal place.

(Note 5) Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

## Portfolio Analysis

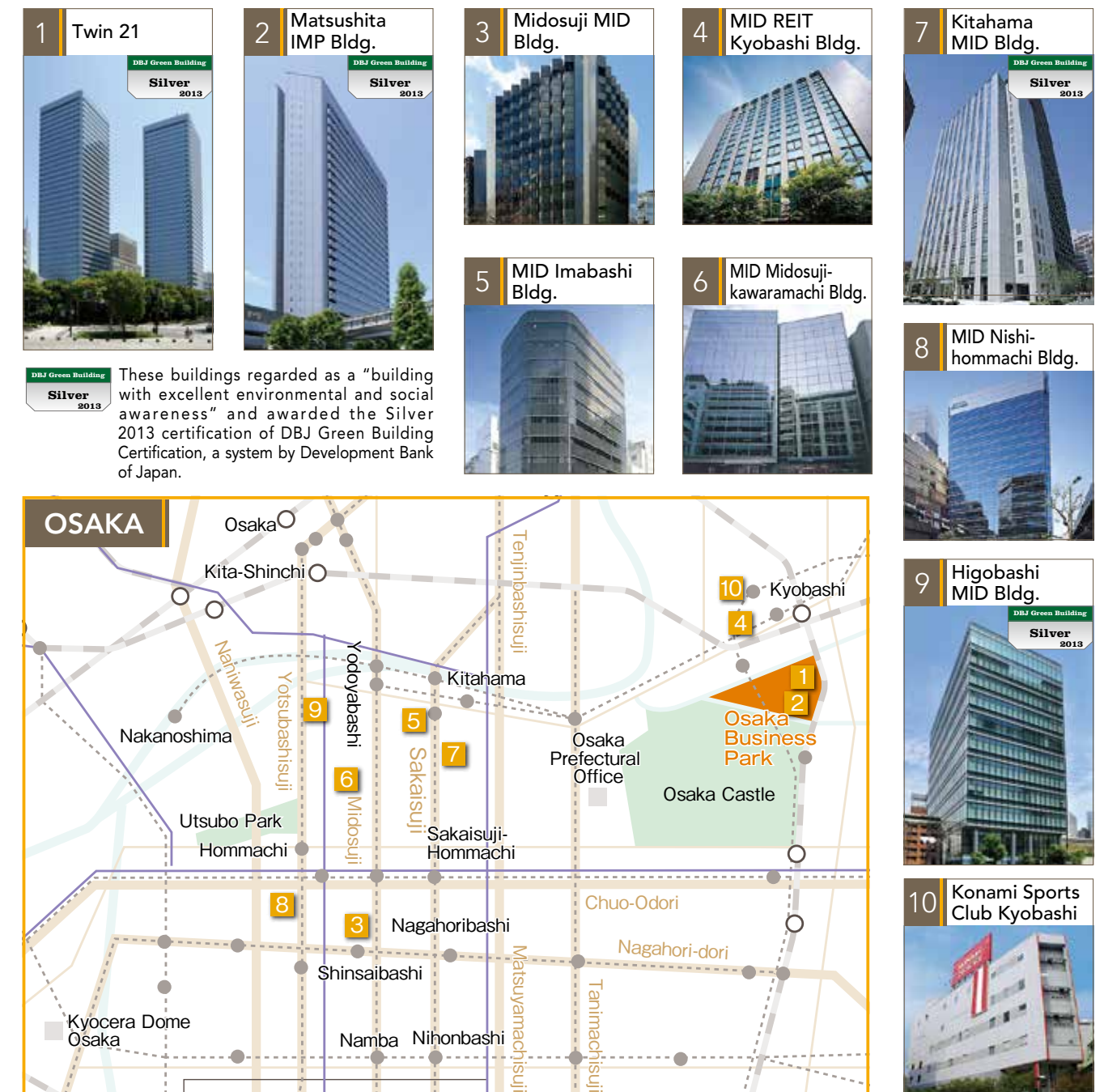
The following is the diversification of MID REIT's portfolio by respective category. (Note 1)



(Note 1) The ratios represent the ratios of the combined acquisition prices for respective categories over the total acquisition price, and are rounded to the first decimal place. Accordingly, the total of such figures is not necessarily 100%.

(Note 2) "Osaka area" refers to Osaka Prefecture, Hyogo Prefecture and Kyoto Prefecture, and "Other major cities" refers to government-designated cities and other major cities in Tokyo, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture.

(Note 3) The area sizes shown in "By Size" are based on the total floor space of the buildings recorded on the registry.





## Historical Results of Operations for MID REIT

### Overview of Asset Management

Period			11th Period	12th Period	13th Period	14th Period	15th Period
Fiscal period			(July 1, 2011 – Dec. 31, 2011)	(Jan. 1, 2012 – June 30, 2012)	(July 1, 2012 – Dec. 31, 2012)	(Jan. 1, 2013 – June 30, 2013)	(July 1, 2013 – Dec. 31, 2013)
Operating revenue	(million yen)		5,776	5,717	5,628	5,457	5,265
(Real estate rental revenues)	(million yen)		(5,776)	(5,717)	(5,550)	(5,457)	(5,265)
Operating expenses	(million yen)		3,691	3,644	3,747	4,810	3,615
(Real estate rental expenses)	(million yen)		(3,132)	(3,065)	(3,194)	(3,020)	(2,979)
Operating income	(million yen)		2,085	2,072	1,881	646	1,650
Ordinary income	(million yen)		1,416	1,441	1,325	105	1,177
Net income	(million yen)		1,416	1,439	1,323	104	1,175
Total assets (Period-on-period variation)	(million yen) (%)		176,561 (-0.2)	176,300 (-0.1)	175,445 (-0.5)	173,711 (-1.0)	168,939 (-2.7)
Net assets (Period-on-period variation)	(million yen) (%)		91,789 (0.0)	91,812 (0.0)	91,696 (-0.1)	90,476 (-1.3)	91,548 (1.2)
Interest-bearing liabilities	(million yen)		72,050	71,925	71,800	71,675	65,550
Unitholders' capital	(million yen)		90,372	90,372	90,372	90,372	90,372
Total investment units issued and outstanding	(units)		183,625	183,625	183,625	183,625	183,625
Net assets per unit	(yen)		499,873	499,998	449,369	492,726	498,563
Total distributions	(million yen)		1,416	1,439	1,323	104	1,175
Distribution per unit	(yen)		7,715	7,840	7,210	567	6,404
(Earnings distribution per unit)	(yen)		(7,715)	(7,840)	(7,210)	(567)	(6,404)
(Distribution in excess of earnings per unit)	(yen)		(–)	(–)	(–)	(–)	(–)
Return on assets (ROA)	(Note 1) (Note 2)	(%)	0.8 (1.6)	0.8 (1.6)	0.8 (1.5)	0.1 (0.1)	0.7 (1.4)
Return on unitholders' equity	(Note 1) (Note 3)	(%)	1.5 (3.1)	1.6 (3.1)	1.4 (2.9)	0.1 (0.2)	1.3 (2.6)
Unitholders' equity ratio at end of period (Period-on-period variation)	(Note 4)	(%)	52.0 (0.1)	52.1 (0.1)	52.3 (0.2)	52.1 (-0.2)	54.2 (2.1)
Interest-bearing liabilities ratio at end of period	(Note 5)	(%)	40.8	40.8	40.9	41.3	38.8
Payout ratio		(%)	100.0	100.0	100.0	100.0	100.0
Number of investment properties		(properties)	12	12	11	11	12
Leasable space	(Note 6)	(m²)	281,771.44	281,761.16	279,755.90	271,963.95	277,516.99
Number of tenants at end of period	(Note 7)	(tenants)	214	214	217	230	236
Occupancy rate at end of period	(Note 8)	(%)	97.5	97.0	97.6	96.3	96.1
Depreciation and amortization for the period		(million yen)	1,080	1,077	1,089	1,113	1,107
Capital expenditures for the period		(million yen)	492	505	343	538	266
NOI from property leasing	(Note 9)	(million yen)	3,741	3,789	3,474	3,568	3,395

(Note 1) Figures in parenthesis have been annualized.

(Note 2) Ordinary income ÷ {(Total assets at beginning of period + Total assets at end of period) ÷ 2} × 100

(Note 3) Net income ÷ {(Net assets at beginning of period + Net assets at end of period) ÷ 2} × 100

(Note 4) Net assets at end of period ÷ Total assets at end of period × 100

(Note 5) Interest-bearing liabilities at end of period ÷ Total assets at end of period × 100

(Note 6) "Leasable space" represents the total leasable floor space as of the end of each fiscal period. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc., but include the floor space for common areas and parking, etc. when leased to tenants.)

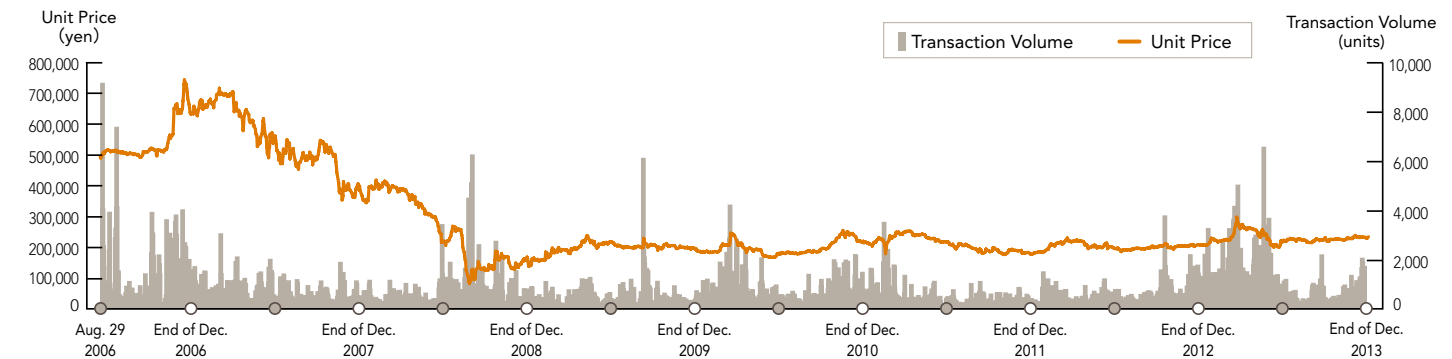
(Note 7) "Number of tenants at end of period" represents the number of tenants based on lease agreements that are valid as of the end of each fiscal period. (Figures are for leasable units only and exclude the tenants who lease only the floor space for storage, halls, parking, etc.). When one tenant leases multiple rooms for rent in the same property, it is regarded as one tenant, and when in multiple properties, it is regarded as multiple tenants (one tenant for each property) and counted as such.

(Note 8) "Occupancy rate at end of period" is the figure obtained by dividing the total leased space of respective properties at the end of each fiscal period by the total leasable floor space, and is expressed as a percentage.

(Note 9) Rental income for the period (Real estate rental revenues – Real estate rental expenses) + Depreciation and amortization for the period + Loss on retirement of noncurrent assets for the period

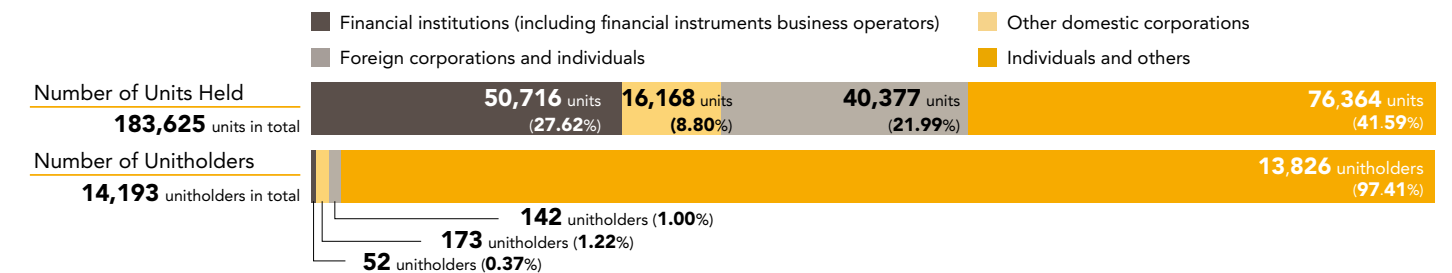
## Unit Price Performance

The following is the history of investment unit prices (closing prices) and transaction volumes of MID REIT on the Tokyo Stock Exchange from the date of listing (August 29, 2006) to December 31, 2013.



## Breakdown of Unitholders

The following is the breakdown of MID REIT's unitholders as of December 31, 2013.



## Overview of Asset Management Company (as of December 31, 2013)

Name	MID REIT Management Co., Ltd.
Location	1-4-4 Dojimahama, Kita-ku, Osaka
Capital	210 million yen
Shareholder	MID Urban Development Co., Ltd. (shareholding: 100%)
Representative	President & CEO, Tomoyuki Goto
Business Description	Investment management business
Company History	<p>September 1, 2005: MID REIT Management Co., Ltd. established</p> <p>October 5, 2005: Acquired the real estate brokerage license (License Number: 2-51806, Osaka Governor)</p> <p>February 2, 2006: Obtained grant for agency by discretionary trust, based on the Building Lots and Buildings Transaction Business Law (Grant Number: 50, Minister of Land, Infrastructure, Transport and Tourism)</p> <p>May 26, 2006: Obtained grant for asset management under the Investment Trust and Investment Corporation Law (Grant Number: 64, Prime Minister of Japan)</p> <p>September 30, 2007: Registered as an investment management business under the Financial Instruments and Exchange Law of Japan (the "FIE Law") (Registration No. 43 [FIE], Director-General, Kinki Local Finance Bureau) (Note)</p> <p>(Note) Subject to the stipulation under Article 159, Paragraph 1 of the Supplementary Provisions of the Law Concerning the Amendments of the Securities and Exchange Law and Other Financial Laws, the Asset Management Company is deemed to have been registered in accordance with Article 29 of the FIE Law, effective as of September 30, 2007, the date of the FIE Law implementation.</p>