

For Translation Purpose Only**REIT Financial Report for the 18th Fiscal Period (January 1, 2015 to June 30, 2015)**

MCUBS MidCity Investment Corporation (URL: <http://www.midreit.jp/>) is listed on the Tokyo Stock Exchange with the securities code 3227.

Representative: Katsura Matsuo
Executive Director

Asset Management Company: MCUBS MidCity Inc.
Representative: Katsura Matsuo
President & CEO & Representative Director
Inquiries: Naoki Suzuki
Deputy President & Representative Director and
General Manager of Finance & Planning Division
TEL. +81-6-6456-0700

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[Monetary amounts in million yen are rounded down]

1. PERFORMANCE FOR THE 18th FISCAL PERIOD (January 1, 2015 to June 30, 2015)**(1) Business Results**

[Percentage figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
18th fiscal period	5,265	1.8	1,683	9.4	1,239	13.9	1,237	13.1
17th fiscal period	5,173	0.3	1,538	(4.7)	1,087	(6.4)	1,093	(5.7)

	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
	yen	%	%	%
18th fiscal period	6,622	1.3	0.7	23.5
17th fiscal period	5,957	1.2	0.6	21.0

(2) Distributions

	Distribution per unit [excluding distribution in excess of earnings]	Total distributions [excluding distribution in excess of earnings]	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Distributions to net assets
	yen	million yen	yen	million yen	%	%
18th fiscal period	6,444	1,237	0	0	100.0	1.3
17th fiscal period	5,958	1,094	0	0	100.0	1.2

Note: The payout ratio for 18th fiscal period has been calculated by using the following formula as new investment units were issued during the period.

Payout ratio = Total distributions / net income × 100

(3) Financial Position

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
18th fiscal period	174,117	94,045	54.0	489,757
17th fiscal period	168,823	91,466	54.2	498,116

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
18th fiscal period	2,267	(8,526)	3,699	10,567
17th fiscal period	2,261	(297)	(1,286)	13,126

2. FORECASTS OF RESULTS FOR THE 19th FISCAL PERIOD (July 1, 2015 to December 31, 2015) and 20th FISCAL PERIOD (January 1, 2016 to June 30, 2016)

[Percentage figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
19th fiscal period	6,612	25.6	2,373	41.0	1,797	45.1	1,795	45.1
20th fiscal period	6,766	2.3	2,337	(1.5)	1,744	(3.0)	1,742	(3.0)

	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
19th fiscal period	6,750		0	
20th fiscal period	6,550		0	

[Reference] Estimated net income per unit for the 19th fiscal period: ¥7,060

Estimated net income per unit for the 20th fiscal period: ¥6,549

3. OTHER

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (b) Changes in accounting policies other than in (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None

(2) Total Number of Investment Units Issued and Outstanding

- (a) Total number of investment units issued and outstanding (including own investment units) at end of period:
 - 18th fiscal period: 192,025 units
 - 17th fiscal period: 183,625 units
- (b) Number of own investment units at end of period:
 - 18th fiscal period: 0 units
 - 17th fiscal period: 0 units

*Notice on Implementation Status of Auditing Procedures

As of the date of disclosure of this financial report, auditing procedures of financial statements based on the Financial Instruments and Exchange Law have not yet been completed.

*Explanation on Appropriate Use of Forecast of Business Results, and Other Matters of Special Note

The forecast and outlook of business results and other forward-looking statements contained in this report are based on information currently available to and certain preconditions and assumptions deemed reasonable by MCUBS MidCity Investment Corporation. Accordingly, actual business results and other performance may differ materially due to a variety of factors.

Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

For the preconditions and assumptions underlying the forecast of business results, matters of note in the use of the forecast of business results, and other matters of special note, please refer to “2. Asset Management Conditions; (2) Outlook of Next Fiscal Period; (c) Outlook of Business Results” on page 11.

1. Asset Management Policy

Disclosure is omitted because there are no significant changes from the most recent *yuka shoken todokedesho* (securities registration statement) (submitted on July 9, 2015), and the most recent *yuka shoken hokokusho* (securities report) (submitted on March 25, 2015).

2. Asset Management Conditions

(1) Overview of Fiscal Period under Review

(a) Brief Background to MCUBS MidCity

MCUBS MidCity Investment Corporation (hereafter “MCUBS MidCity”) was established by MCUBS MidCity Inc. (hereafter, the “Asset Management Company”) on June 1, 2006 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (hereafter, the “Investment Trusts Act”), and listed on the Tokyo Stock Exchange, Inc.’s Real Estate Investment Trust Section (Securities Code: 3227) on August 29, 2006. During the fiscal period under review, its 18th fiscal period, MCUBS MidCity issued 8,400 units of new investment units through third-party allotment in April and acquired Sumitomo Fudosan Ueno Building No. 6 (acquisition price: ¥7,460 million) using the proceeds from the third-party allotment together with funds procured through borrowings and cash on hand. As of the end of the fiscal period under review (18th fiscal period: January 1, 2015 to June 30, 2015), the total number of investment units issued and outstanding was 192,025 investment units. MCUBS MidCity’s portfolio was comprised of 13 properties with the sum total of acquisition prices amounting to ¥165,130 million.

MCUBS MidCity conducts asset management with investment focused on office buildings under the portfolio building policy of focusing investment in the three major metropolitan areas including Tokyo metropolitan area.

(b) Investment Environment and Management Performance

(i) Investment Environment

In the 18th fiscal period, the Japanese economy was on a moderate recovery, as evident by such factors as the continuous trend of decrease in crude oil prices and yen depreciation in addition to Bank of Japan’s monetary easing policies, postponement of consumption tax hike and the steady corporate earnings as well as the continuous improvement in employment and income environment in line with it. Going forward, while there are downside risks to the global economy, etc., the Japanese economy is expected to continue to head toward economic recovery in light of the progress in corporate earnings improvement and the pickup in investment sentiment.

In the real estate investment market, backed by a favorable financial and capital environment, active property acquisitions by J-REITs in line with new listings and capital increase through public offerings continued to take place. Acquisition activities by private funds, business corporations and overseas investors are also robust, and market cap rates are also on a declining trend due in part to the limited supply of properties in favorable locations and the foreseen signs of recovery in the leasing market leading to anticipation for future rise in real estate prices. Given such market trends, the transaction prices in the real estate investment market in Osaka are also trending further upward.

According to the Ministry of Land, Infrastructure, Transport and Tourism’s Land Price LOOK Report for the first quarter (January 1 to April 1) of 2015, the land price of intensively used land of major cities in Japan increased in 84 of the 100 districts, remained flat in 16 districts and decreased in none of the districts. The number of districts with the land price increasing accounting for over 80% of the total indicates that the land price trend continues to be on an upward trend.

In the office leasing market, vacancy rates continued to improve, centering on central Tokyo, as office demand increased due to improving business sentiment, and bottoming out of the rent level is becoming clearly visible.

In the office leasing market in Osaka, the vacancy rate for the business areas of Osaka City continues to be on a recovery trend, as evident by such factors as progress in the filling up of vacancies at the large-scale office rental property Grand Front Osaka and office demand also remaining strong. In particular, with office relocations seeking better location and environment, including relocations for consolidation, continuing to be seen, there are increasing opportunities leading to contracts with new tenants. Going forward, although ongoing-contract rent of existing tenants is yet to increase, such factors as progress in improvement in the terms and conditions of new-contract rent and new supply of large-scale office buildings being limited will

lead to the steady filling up of vacancies continuing and the supply-demand balance is thus expected to further improve.

(ii) Asset Management Performance

<Investment Performance>

During the 18th fiscal period, MCUBS MidCity acquired Sumitomo Fudosan Ueno Building No. 6 (acquisition price: 7,460 million yen) as of May 1, 2015 under the support of the main sponsor. As a result, MCUBS MidCity's portfolio as of the end of the 18th fiscal period was comprised of 13 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 98.6% in the three major metropolitan areas and 1.4% in other areas and are distributed in terms of property type with 81.1% being office buildings and 18.9% being others.

<Performance of Management of Portfolio Assets>

MCUBS MidCity is promoting the heightening of tenant satisfaction levels in seeking to attract new tenants and making its relationship of trust with existing tenants even stronger by closely working together with sponsor companies, property management companies and office leasing brokers and creating tenant attraction plans for each property that match the respective location and characteristics, thereby striving to maintain and enhance occupancy rates.

In the 18th fiscal period, in an environment showing recovery in office demand, there were active tenant movements for reasons of integration of offices and improvement of location. Despite tenant exits arising, having attracted new tenants early led to high occupancy of the same level as that at the end of the previous fiscal period managing to be maintained, with the occupancy rate at the end of the 18th fiscal period at 98.5%. Notably, at Twin 21, making proposals in line with tenant needs and other proactive initiatives for attracting new tenants enabled the improvement of the occupancy rate to 97.6%.

In terms of building management, at Matsushita IMP Building, ongoing renewal of the interior and sanitary facilities of common areas of a typical floor plate for the purpose of maintaining and enhancing asset value and strengthening competitiveness are being implemented in an aim to heighten the satisfaction levels of and convenience for existing tenants and to enhance property competitiveness in view of attracting new tenants. In addition, when The Kansai Electric Power Company raised its electric rates in April 2015, unit price revisions to reflect the increase were implemented for electricity bills for exclusive areas, in an effort to inhibit the increase in management costs.

In particular, at the Osaka Business Park (hereafter, "OBP"), renewal of the Twin 21 entrance, etc. and PR activities from 17th fiscal period are being implemented to enhance the recognition and brand image of the OBP as a business area where "greenery" and "comfort" make it a favorable place to work from the viewpoint of office workers.

(c) Overview of Fund Procurement

A. Issuance of New Investment Units

Based on the resolution by the board of directors' meeting held on April 10, 2015 and to partly fund the acquisition of Sumitomo Fudosan Ueno Bldg. No.6, MCUBS MidCity implemented issuance of new investment units by having Mitsubishi Corporation and UBS AG, the shareholders of Mitsubishi Corp. – UBS Realty Inc. (hereafter "Mitsubishi Corp. – UBS Realty") as the allottees (issue value (amount paid): ¥289,950 per unit, total issue value (total amount paid): ¥2,435,580,000, number of units allotted: 4,200 units to Mitsubishi Corporation and 4,200 units to UBS AG) with the payment date on April 22, 2015. Furthermore, ratio of units held by each allottee as of the payment date of the concerned third-party allotment turned out to be 2.2%.

B. Debt Financing

MCUBS MidCity procures funds pursuant to its financial policy that considers the maintaining of a balance between fund procurement flexibility and financial stability, including keeping the LTV at a conservative level, reducing refinancing risks and mitigating interest rate fluctuation risks.

As of the end of the 18th fiscal period, MCUBS MidCity had a balance of borrowings from 15 financial institutions in the amount of ¥67,675 million.

In the 18th fiscal period, MCUBS MidCity implemented debt financing of ¥2,500 million on April 30, 2015 to use the proceeds as part of funds to acquire Sumitomo Fudosan Ueno Bldg. No.6 (acquisition price: ¥7,460 million).

As of the end of the 18th fiscal period, the ratio of interest-bearing liabilities to total assets stands at 38.9%, 96.3% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 60.3% of loans payable have fixed interest rates (including those for which interest rates have been fixed via

interest rate swap agreements).

The following is the status of MCUBS MidCity's issuer ratings as of the end of the 18th fiscal period.

Credit rating agency	Issuer rating	Rating outlook
Rating and Investment Information, Inc. (R&I)	A-	Stable

(d) Overview of Business Performance and Distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of ¥5,265 million, operating income of ¥1,683 million, ordinary income of ¥1,239 million and net income of ¥1,237 million in its performance for the 18th fiscal period.

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 the entire amount of unappropriated retained earnings, excluding fractions of the distribution per unit that are less than ¥1. Accordingly, MCUBS MidCity declared a distribution per unit of ¥6,444.

(2) Outlook of Next Fiscal Period

(a) Future Asset Management Policy and Challenges to Address

(i) Internal Growth Strategy

In the Osaka office leasing market trend, which is MCUBS MidCity's main investment target, decrease in new supply while office demand remained strong led to improvement in vacancy rates continuing. However, although improvement in new-contract lease terms and conditions was found at some large-scale buildings, rent has yet to rise in the market on the whole. Therefore, a certain amount of time is still forecast to be required until there will be full-scale increase in ongoing-contract rent.

Under such circumstances, in view of maintaining and enhancing revenue over the medium and long term, MCUBS MidCity will remain dedicated to its efforts aimed at heightening the tenant satisfaction levels of existing tenants through the provision of comfortable office environments and services, as well as maintaining and improving rent income and occupancy rates through initiatives for attracting new tenants.

<Strategy on Existing Tenants Aimed at Maintaining High Occupancy Rates>

As an initiative for discerning the needs and heightening the satisfaction levels of existing tenants, the Asset Management Company has been conducting a survey of tenant satisfaction levels on the tenants of Twin 21 and other multi-tenant buildings in MCUBS MidCity's portfolio since the first fiscal period. The results of the concerned survey are used as the base in instructing MID Property Management Co., Ltd. (hereafter "MID Property Management") and building management companies, as well as in considering and carrying out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs.

In the most recent ninth survey (conducted in December 2014), tenant satisfaction levels improved for not only "Ambience," "Effectiveness of facility management" and other items for which high ratings have been achieved from before but for almost all of the rated items. In addition, approximately 90% of office workers working at Twin 21 and Matsushita IMP Building highly rated the renewal of Twin 21, which is underway as part of OBP value-enhancement efforts, in that "the ambience of the facility has improved on the whole."

Keeping up such initiatives to listen to the "voice of office workers" is believed to lead to enhancement of the satisfaction levels of existing tenants and the value of portfolio assets.

Moreover, making proactive efforts to also suggest floor space expansion and other proposals in response to tenant needs on the basis of various opinions and requests that can be obtained from the fine-tuned relationship MID Property Management keeps with existing tenants in its daily operations, MCUBS MidCity will keep striving to increasingly heighten tenant satisfaction levels and maintain and enhance occupancy rates.

<Strategy on Leasing to Attract New Tenants>

The OBP area, in which such buildings as MCUBS MidCity's core assets of Twin 21 and Matsushita IMP Building are situated, is a conglomerate business area adjacent to Osaka Castle Park and its lush greenery, and features outstanding access as it is within walking distance of six stations serving four railway lines, including one of Osaka's leading terminal stations Kyobashi Station. Combined with spacious floor space, ability to secure ample parking space, etc., the OBP area exhibits strong capacity to attract tenants.

There have been announcements that, compared to other business areas in Osaka, the OBP has low risk of flooding because it is situated on ground that is as twice as high as the past-expected tsunami height (5.2m), has low expected seismic intensity in the event of a large-scale earthquake, and most of the area has been

found to be one where liquefaction is highly unlikely to occur according to liquefaction predictions, etc. Based on these, the OBP can be said to be an area where safe and secure office environments can be provided. With the inquiries from tenants placing emphasis on BCP measures, etc., for Twin 21 and Matsushita IMP Building, initiatives are taken to attract new tenants, or proactive initiatives are taken to attract group companies or partners of existing tenants, by drawing on these properties' strength of being large-scale office buildings situated in the OBP that is recognized as exhibiting one of the most superior capacities to respond to disaster prevention within Osaka City's business areas.

Furthermore, approximately a year has passed since MCUBS MidCity launched PR activities aimed at enhancing the value of the OBP under the basic concept of "business can be more relaxing." MCUBS MidCity believes that the targeted office workers at companies in Osaka and major companies' Kansai branches will rediscover the fact that OBP is an area differentiated from other business areas with its superior office environment, and thereby lead to maintaining and enhancing of the competitiveness of Twin 21 and Matsushita IMP Building as well as leasing to new tenants, etc.

Moreover, initiatives are also taken at other portfolio assets such as MID Midosujikawaramachi Building to attract new tenants by making proposals in line with tenant size and needs amid the recovering office leasing market.

Leveraging the strengths of having as its sponsor a comprehensive real estate business group that primarily operates in Osaka and the network of a new sponsor Mitsubishi Corp. – UBS Realty, the Asset Management Company conducts market analyses by utilizing tenant information, etc. that MID Property Management has acquired in working closely with the site and, based on the results, will develop strategies for attracting tenants, including value-enhancement plans that lead to increased competitiveness of MCUBS MidCity's portfolio assets, in order to carry out effective attracting of new tenants.

<Enhance Property Competitiveness>

MCUBS MidCity conducts upgrading of facilities and renewal of interiors one after another in view of provision of comfortable office environments and enhancement of leasing capacity. MCUBS MidCity will also carry out such initiatives as systematic upgrading that reflect tenant satisfaction survey results, matters pointed out and requested by tenants, etc.

<Address Energy Saving and CO₂ Reduction>

MCUBS MidCity will appropriately respond to the requests of society via CO₂ reduction efforts through such initiatives as introducing energy-saving facilities and equipment.

As of the end of the 18th fiscal period, Twin 21, Matsushita IMP Building, Kitahama MID Building and Higobashi MID Building have been certified by Development Bank of Japan Inc. under DBJ Green Building Certification (system assigning one of five ranks of certification) with the certification rank of "three stars" as "properties with excellent environmental and social awareness." Moreover, Higobashi MID Building has received the rank of "A Class" by the City of Osaka's Comprehensive Assessment System for Building Environmental Efficiency (CASBEE Osaka) in February 2010, which is a tool for comprehensive assessment and rating of not only consideration for the environment, such as use of energy-conserving and low-environmental-load resources and materials, but also consideration for the indoor and outdoor built environment and other building quality and performance.

Furthermore, as part of the OBP renovation project, the "technological demonstration concerning power supply systems utilizing corporate-owned electric vehicles (hereafter, "EVs") and plug-in hybrid vehicles (hereafter, "PHVs")" (fiscal 2013 and fiscal 2014 next-generation energy technology demonstration project of the Ministry of Economy, Trade and Industry) planned by the Osaka Business Park Development Council, The Kansai Electric Power Co., Inc., MID Urban Development Co., Ltd. and others was launched in the 17th fiscal period at Matsushita IMP Building. This is a demonstration experiment with the purpose of the construction of a system that can level the charge load of EVs under normal circumstances, apply electric peak cuts utilizing the batteries of EVs and PHVs and supply power in times of disasters, assuming that automobiles owned by companies in the OBP area will transition to EVs and PHVs to realize a low-carbon society, and MCUBS MidCity is cooperating with the project in view of its "benefits for the public" and "expectations for increased attention on the OBP area."

(ii) External Growth Strategy

MCUBS MidCity will proceed to aim to enhance the quality of its portfolio via such measures as acquiring assets under management in view of minimizing asset and building management costs through economies of scale, mitigating risks of fluctuations in revenue with the effects of diversifying its portfolio of assets under management, and such.

As for the targeted investment region, MCUBS MidCity examines acquisitions of assets under management with a focus on office buildings in the three major metropolitan areas (Tokyo metropolitan area (Tokyo,

Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture)). In addition, from the standpoint of diversifying risk with a view toward securing more opportunities for property acquisition, its investment targets also include so-called “government-designated cities” – cities with populations of over 500,000 – as well as other major cities and abroad, excluding the three major metropolitan areas. (However, it states that no new investment shall be made as to retail properties and industrial properties.) Furthermore, as for the investment target in terms of property type, although MCUBS MidCity invests primarily in office properties, from the standpoint of investment diversification based on securing more opportunities for property acquisition, MCUBS MidCity's investment targets also include real estate other than office properties. Moreover, MCUBS MidCity will proactively leverage the pipeline support from its sponsors.

(iii) Financial Strategy

Ongoing efforts will be made at keeping the LTV at a conservative level, stable fund procurement, diversifying repayment dates for interest-bearing liabilities, promoting the addition of lending financial institutions with the goal of maintaining financial stability. In addition, measures will be taken to hedge against interest rate fluctuation risks by fixing interest rates depending on interest rate trends.

(b) Important Matters Subsequent to the End of the Fiscal Period

As indicated in “Assumptions Regarding Business Results Forecasts for the 19th Fiscal Period (July 1, 2015 to December 31, 2015) and the 20th Fiscal Period (January 1, 2016 to June 30, 2016)” in the following pages, MCUBS MidCity conducted issuance of new investment units and acquisition of assets after the end of the fiscal period under review as described below.

A. Issuance of New Investment Units

Issuance of new investment units passed resolution of the board of directors’ meeting held on July 9, 2015 and July 22, 2015 as follows, and payment for new investment units issued through public offering has completed on July 29, 2015 and that for new investment units issued through third-party allotment on August 17, 2015. Terms and conditions of the issuance are as indicated below. As a result, unitholders’ capital and the total number of investment units issued and outstanding as of the date of this document were ¥115,243,069,750 and 266,025 investment units.

<Issuance of New Investment Units through Public Offering (Primary Offering)>

Number of new investment units: 70,000 units
Issue price (offer price): 313,462 yen per unit
Total issue price (total offer price): 21,942,340,000 yen
Issue price (amount to be paid): 303,174 yen per unit
Total issue price (amount to be paid): 21,222,180,000 yen
Payment date: July 29, 2015

<Issuance of new investment units through third-party allotment>

Number of new investment units: 4,000 units
Issue price (amount to be paid): 303,174 yen per unit
Total issue price (amount to be paid): 1,212,696,000 yen
Payment date: August 17, 2015
Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

< Use of proceeds>

The funds procured through the issuance of new investment units through public offering were used for part of the funds for the acquisition of assets described in B. below which MCUBS MidCity conducted. The funds procured through the issuance of new investment units through third-party allotment will be kept as cash on hand and be used for future acquisition of specified assets or repayment of borrowings.

B. Acquisition of Assets

MCUBS MidCity acquired the following assets

Property Name	Location	Type of Asset	Use	Seller	Acquisition price (million yen) (Note 1)	Acquisition Date
G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficiary interest	Office, retail, parking lot	GK Dogenzaka 211	12,220	August 3, 2015
Shibuya Sakuragaoka Square (land with leasehold interest) (Note 2)	109-7 and other, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficiary interest	—	GK Sakuragaoka 31	5,000	August 3, 2015
Yokohama Creation Square (Note 3)	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	Office, retail	GK TCTS06	7,080	August 3, 2015
Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	Office	YK Cube Kawasaki Investment	20,050	August 7, 2015
Subtotal					44,350	
Nagoya Lucent Tower (Note 4)	6-1 Ushijima-cho, Nishi-ku, Nagoya-shi, Aichi	Silent Partnership Interest	Retail, office, parking lot, bicycle parking lot	Hulic Co., Ltd.	4,919	August 3, 2015
Total					49,269	

(Note 1) "Acquisition Price" indicates the sale price (excluding acquisition expenses, property taxes, city planning taxes, consumption taxes, etc.) of respective assets acquired stated in the trust beneficiary interest transfer agreement or silent partnership transfer agreement.

(Note 2) MCUBS MidCity acquired quasi co-ownership of trust beneficiary interest in the land of the property as entrusted property (equity interest: 40%).

(Note 3) The property is a building with sectional ownership and the ratio of sectional ownership which MCUBS MidCity owns in the exclusive area of the whole building is 96.47%.

(Note 4) Information concerning Nagoya Lucent Tower (real estate in trust) (real estate in trust concerning the trust beneficiary interests in 33.9% (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower (sections of the Nagoya Lucent Tower buildings excluding the special high voltage substation building and part of the extra high voltage substation building) as entrusted property) are indicated for Use and Location of Nagoya Lucent Tower.

C. Debt Financing

MCUBS MidCity conducted new debt financing to use the funds procured for part of the funds for the acquisition of assets.

(1) Borrowings (3 years)

Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., Resona Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, The Senshu Ikeda Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Nishi-Nippon City Bank, Ltd., Mizuho Trust & Banking Co., Ltd., The Hyakugo Bank, Ltd.
Amount	¥10,500 million
Interest Rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association) + 0.4% (Note 1)
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2018 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

(2) Borrowings (5 years)

a. Borrowings with floating interest rate

Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., Resona Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd.
Amount	¥9,300 million
Interest Rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (fixed through interest-rate swap agreement) + 0.6% (Note 1) *In accordance with an interest-rate swap agreement, the interest rate for the borrowing will be actually fixed at 0.86545% (p.a.) up to the principal repayment date.
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2020 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

b. Borrowings with fixed interest rate

Lender	Development Bank of Japan Inc.
Amount	¥1,200 million
Interest Rate	0.90750% (Fixed)
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2020 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

(3) Borrowings (7 years)

a. Borrowings with floating interest rate

Lender	Mizuho Bank, Ltd., Aozora Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd.
Amount	¥2,200 million
Interest Rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (fixed through interest-rate swap agreement) + 0.8% (Note 1) *In accordance with an interest-rate swap agreement, the interest rate for the borrowing will be actually fixed at 1.20235% (p.a.) up to the principal repayment date.
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2022 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

b. Borrowings with fixed interest rate

Lender	Development Bank of Japan Inc.
Amount	¥800 million
Interest Rate	1.23250% (Fixed)
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2022 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

(4) Borrowings (8 years)

a. Borrowings with floating interest rate

Lender	Mizuho Bank, Ltd.
Amount	¥500 million
Interest Rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (fixed through interest-rate swap agreement) + 0.9% (Note 1) *In accordance with an interest-rate swap agreement, the interest rate for the borrowing will be actually fixed at 1.3843% (p.a.) up to the principal repayment date.
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2023 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

b. Borrowings with fixed interest rate

Lender	Development Bank of Japan Inc.
Amount	¥500 million
Interest Rate	1.40000% (Fixed)
Drawdown Date	July 31, 2015
Principal Repayment Date	July 31, 2023 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

(5) Borrowings (Loans based on Master Credit Line Agreement)

Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Banking Corporation.
Amount	¥1,800 million
Interest Rate	The Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association) + 0.4% (Note 1)
Drawdown Date	August 6, 2015
Principal Repayment Date	April 28, 2016 (Note 2)
Repayment Method	Principal repayment in full on maturity
Collateral	Unsecured, Unguaranteed

(Note 1) The base interest rate applicable to the calculation period for the interest to be paid on the interest payment date is the Three-month TIBOR (Tokyo Interbank Offered Rate) for Japanese Yen published by the Japanese Bankers Association (JBA) two business days preceding the interest payment date.

(Note 2) Repayment day shall be the day immediately following any repayment date if such repayment date is not a business day. However, the repayment day shall be the day preceding the repayment date if such repayment date falls into the next month.

(c) Outlook of Business Results

MCUBS MidCity expects the following business results for its 19th fiscal period (July 1, 2015 to December 31, 2015). For the assumptions underlying the forecast of business results, please refer to the “Assumptions Regarding Business Results Forecasts for the 19th Fiscal Period (July 1, 2015 to December 31, 2015) and the 20th Fiscal Period (January 1, 2016 to June 30, 2016)” below.

Operating revenue	¥6,612 million
Operating income	¥2,373 million
Ordinary income	¥1,797 million
Net income	¥1,795 million
Distribution per unit	¥6,750
Distribution in excess of earnings per unit	¥0

In addition, assuming that the “Assumptions Regarding Business Results Forecasts for the 19th Fiscal Period (July 1, 2015 to December 31, 2015) and the 20th Fiscal Period (January 1, 2016 to June 30, 2016)” remain unchanged, MCUBS MidCity expects the following business results forecasts for its 20th Fiscal Period (January 1, 2016 to June 30, 2016).

Operating revenue	¥6,766 million
Operating income	¥2,337 million
Ordinary income	¥1,744 million
Net income	¥1,742 million
Distribution per unit	¥6,550
Distribution in excess of earnings per unit	¥0

[Note] The business results forecasts presented herein are current expectations calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may differ from the forecasts due to changes in the conditions. Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

Assumptions Regarding Business Results Forecasts
for the 19th Fiscal Period (July 1, 2015 to December 31, 2015) and the
20th Fiscal Period (January 1, 2016 to June 30, 2016)

Item	Assumptions
Assets under management	<ul style="list-style-type: none"> Assumes there will be no changes (new property acquisition, sale of existing property, etc.) in MCUBS MidCity's assets under management until the end of the 20th fiscal period from a total of 18 properties after adding 4 properties (including acquisition of silent partnership interests) acquired on August 3, 2015 and 1 property acquired on August 7, 2015, to the 13 properties it owns as at June 30, 2015. The actual assets under management may vary due to changes in the property portfolio and other factors.
Operating revenue	<ul style="list-style-type: none"> Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as at June 30, 2015 with due consideration given to such factors as the market environment, the characteristics and market competitiveness of individual properties, status of individual tenants. Operating revenue is calculated assuming there are no tenant defaults or non-payments of rent by tenants.
Operating expenses	<ul style="list-style-type: none"> Of the expenses related to rent business, which constitute a principal component of operating expenses, expenses other than depreciation are calculated based on historical data and reflecting seasonal and other factors that may cause fluctuations in expenses. Property management fees in the amount of ¥784 million are expected for the 19th fiscal period and ¥804 million are expected for the 20th fiscal period. Utilities expenses in the amount of ¥832 million are expected for the 19th fiscal period and ¥758 million are expected for the 20th fiscal period. Property taxes, etc. in the amount of ¥509 million are expected for the 19th fiscal period and ¥574 million are expected for the 20th fiscal period. The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. MCUBS MidCity expects repair expenses for the 19th fiscal period will be ¥38 million less than the 18th fiscal period to amount to ¥151 million. Furthermore, 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 calculated based on the straight-line method inclusive of associated costs and future additional capital expenditures. MCUBS MidCity estimates ¥1,259 million for the 19th fiscal period and ¥1,275 million for the 20th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses of ¥441 million are expected for the 19th fiscal period and ¥458 million are expected for the 20th fiscal period. Borrowing related expenses of ¥115 million are expected for the 19th fiscal period and ¥115 million are expected for the 20th fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> Assumes the balance of interest-bearing liabilities outstanding will be ¥94,350 million at the end of the 19th fiscal period and ¥94,225 million at the end of the 20th fiscal period. Assumes the scheduled repayment in the 20th fiscal period of ¥125 million (due for repayment on January 29, 2016) will be repaid using cash reserves.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> Assume the number of investment units will be 266,025 units, after adding 70,000 units of investment units issued through a primary offering conducted on July 29, 2015 and 4,000 units of investment units issued through a third-party allotment conducted on August 17, 2015 to 192,025 units of investment units issued and outstanding in total as at June 30, 2015, and no additional investment units will be issued after August 17, 2015 through to June 30, 2016.
Distribution per unit	<ul style="list-style-type: none"> Distribution per unit is calculated assuming the cash distribution policy set forth in the Articles of Incorporation of MCUBS MidCity. Distribution per unit could change due to various factors, including changes in assets under management, fluctuations in rent income associated with tenant changes, etc., incurrence of unexpected repairs, fluctuations in interest rates, and the issuance of additional investment units.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> Assumes there will be no cash distributions in excess of earnings (distributions in excess of earnings per unit).
Other	<ul style="list-style-type: none"> Assumes no changes will be made to laws, the tax system, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. affecting the aforementioned forecasts. Assumes there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.

3. Investment Risks

Disclosure is omitted because there are no significant changes from the most recent *yuka shoken todokedesho* (securities registration statement) (submitted on July 9, 2015), and the “Investment Risks” presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on March 25, 2015).

4. Financial Statements

(1) Balance Sheets

	[Unit: thousand yen]	
	17th Fiscal Period [as of December 31, 2014]	18th Fiscal Period [as of June 30, 2015]
Assets		
Current assets		
Cash and deposits	9,270,011	7,032,286
Cash and deposits in trust	5,862,063	6,271,387
Operating accounts receivable	123,973	125,119
Accrued consumption taxes	-	132,546
Prepaid expenses	25,856	23,454
Deferred tax assets	22	25
Other	-	118
Total current assets	15,281,926	13,584,938
Non-current assets		
Property, plant and equipment		
Buildings in trust	64,350,991	66,846,055
Accumulated depreciation	(15,796,682)	(16,915,672)
Buildings in trust, net	48,554,309	49,930,383
Structures in trust	109,614	110,824
Accumulated depreciation	(20,497)	(22,293)
Structures in trust, net	89,116	88,531
Machinery and equipment in trust	7,916	7,916
Accumulated depreciation	(1,064)	(1,391)
Machinery and equipment in trust, net	6,852	6,524
Tools, furniture and fixtures in trust	516,444	538,691
Accumulated depreciation	(302,603)	(331,221)
Tools, furniture and fixtures in trust, net	213,841	207,469
Land in trust	104,273,346	109,964,747
Construction in progress in trust	3,240	4,298
Total property, plant and equipment	153,140,706	160,201,954
Intangible assets		
Software	544	427
Trademark right	480	416
Total intangible assets	1,024	843
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	390,315	304,946
Total investments and other assets	400,315	314,946
Total non-current assets	153,542,045	160,517,744
Deferred assets		
Investment units issuance cost	-	14,892
Total deferred assets	-	14,892
Total assets	168,823,972	174,117,575

	[Unit: thousand yen]	
	17th Fiscal Period [as of December 31, 2014]	18th Fiscal Period [as of June 30, 2015]
Liabilities		
Current liabilities		
Operating accounts payable	314,685	347,785
Short-term loans payable	-	2,500,000
Current portion of long-term loans payable	15,250,000	15,250,000
Accounts payable – other	864,872	630,101
Accrued expenses	108,366	108,476
Distribution payable	8,976	7,852
Income taxes payable	1,145	1,285
Accrued consumption taxes	56,503	—
Advances received	711,940	719,616
Other	588,384	465,509
Total current liabilities	17,904,875	20,030,627
Non-current liabilities		
Long-term loans payable	50,050,000	49,925,000
Tenant leasehold and security deposits	7,340,053	7,356,607
Tenant leasehold and security deposits in trust	2,062,383	2,759,656
Total non-current liabilities	59,452,436	60,041,264
Total liabilities	77,357,312	80,071,892
Net assets		
Unitholders' equity		
Unitholders' capital	90,372,613	92,808,193
Surplus		
Unappropriated retained earnings (undisposed loss)	1,094,046	1,237,489
Total surplus	1,094,046	1,237,489
Total unitholders' equity	91,466,660	94,045,683
Total net assets	91,466,660	94,045,683
Total liabilities and net assets	168,823,972	174,117,575

(2) Statements of Income

	[Unit: thousand yen]	
	17th Fiscal Period	18th Fiscal Period
	[July 1, 2014 to Dec. 31, 2014]	[Jan. 1, 2015 to June 30, 2015]
Operating revenue		
Rent revenue – real estate	4,790,441	4,905,067
Other lease business revenue	383,079	360,691
Total operating revenue	5,173,520	5,265,758
Operating expenses		
Expenses related to rent business	3,123,957	3,122,528
Asset management fee	395,177	318,448
Asset custody fee	8,340	8,422
Administrative service fees	41,966	41,578
Directors' compensations	5,700	6,175
Other operating expenses	59,698	85,130
Total operating expenses	3,634,840	3,582,283
Operating income	1,538,680	1,683,474
Non-operating income		
Interest income	1,560	1,391
Refund of unpaid distributions	705	791
Total non-operating income	2,265	2,183
Non-operating expenses		
Interest expenses	363,261	354,149
Borrowing related expenses	89,940	90,917
Amortization of investment units issuance cost	—	1,353
Other	194	192
Total non-operating expenses	453,396	446,612
Ordinary income	1,087,549	1,239,044
Extraordinary income		
Gain on insurance adjustment	76,543	—
Total extraordinary income	76,543	—
Extraordinary losses		
Loss on reduction of non-current assets	68,700	—
Total extraordinary losses	68,700	—
Income before income taxes	1,095,392	1,239,044
Income taxes – current	1,462	1,567
Income taxes – deferred	4	(3)
Total income taxes	1,466	1,564
Net income	1,093,925	1,237,480
Retained earnings brought forward	120	9
Unappropriated retained earnings (undisposed loss)	1,094,046	1,237,489

(3) Statements of Cash Flows

	[Unit: thousand yen]	
	17th Fiscal Period	18th Fiscal Period
	[July 1, 2014 to Dec. 31, 2014]	[Jan. 1, 2015 to June 30, 2015]
Cash flows from operating activities		
Income before income taxes	1,095,392	1,239,044
Depreciation	1,133,321	1,150,400
Amortization of long-term prepaid expenses	86,240	85,368
Amortization of investment units issuance cost	—	1,353
Interest income	(1,560)	(1,391)
Interest expenses	363,261	354,149
Loss on retirement of non-current assets	0	518
Gain on insurance claim	(76,543)	—
Loss on reduction of non-current assets	68,700	—
Decrease (increase) in operating accounts receivable	5,584	(1,145)
Decrease (increase) in consumption taxes refund receivable	—	(132,546)
Increase (decrease) in accrued consumption taxes	(43,768)	(56,503)
Increase (decrease) in operating accounts payable	52,022	33,100
Increase (decrease) in advances received	(1,859)	7,675
Decrease (increase) in prepaid expenses	(13,450)	2,401
Payments of long-term prepaid expenses	(146,599)	—
Other	5,527	(60,365)
Subtotal	2,526,270	2,622,060
Interest income received	1,560	1,391
Interest expenses paid	(365,940)	(354,039)
Proceeds from insurance income	100,842	—
Income taxes paid	(1,539)	(1,427)
Cash flows from operating activities	2,261,192	2,267,984
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(306,647)	(8,393,178)
Proceeds from tenant leasehold and security deposits	52,951	188,931
Proceeds from tenant leasehold and security deposits in trust	102,096	886,204
Repayments of tenant leasehold and security deposits	(92,757)	(289,374)
Repayments of tenant leasehold and security deposits in trust	(52,951)	(188,931)
Payments for deposits in trust for tenant leasehold and security deposits in trust	—	(730,202)
Cash flows from investing activities	(297,308)	(8,526,551)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	2,500,000
Proceeds from long-term loans payable	13,800,000	—
Repayment of long-term loans payable	(13,925,000)	(125,000)
Proceeds from issuance of investment units	—	2,419,333
Dividends paid	(1,161,556)	(1,094,370)
Cash flows from financing activities	(1,286,556)	3,699,962
Net increase (decrease) in cash and cash equivalents	677,327	(2,558,603)
Cash and cash equivalents at beginning of period	12,449,177	13,126,505
Cash and cash equivalents at end of period	13,126,505	10,567,901

5. Real Estate for Investment

The following summarizes the assets (13 properties) owned by MCUBS MidCity as of June 30, 2015.

Use	Region		Property		Type of Asset	Acquisition Price [Note 1] [million yen]	Book Value [Note 2] [million yen]	Appraisal Value [Note 3] [million yen]	Appraisal Company [Note 4]	Investment Ratio [Note 5] [%]	Collateral [Note 6]
			No.	Name							
Office Building		Tokyo metropolitan area	0T-1	Sumitomo Fudosan Ueno Bldg. No. 6	Trust beneficiary interest	7,460	7,804	7,560	Tanizawa	4.5	None
		Osaka metropolitan area	00-1	Twin 21 [Note 7]		68,700	67,553	46,000	Morii	41.6	None
	00-2		Matsushita IMP Building	24,600		22,976	17,700	Tanizawa	14.9	None	
	00-3		Midosuji MID Building	8,290		8,547	6,980	Tanizawa	5.0	None	
	00-4		MID REIT Kyobashi Building	2,300		2,142	1,320	Tanizawa	1.4	None	
	00-5		MID Imabashi Building	3,270		3,202	2,140	Tanizawa	2.0	None	
	00-6		MID Midosujikawaramachi Building	2,000		1,943	1,390	Tanizawa	1.2	None	
	00-7		Kitahama MID Building	10,800		10,555	8,370	JREI	6.5	None	
	00-8		MID Nishihommachi Building	3,550		3,401	2,110	JREI	2.1	None	
	00-9		Higobashi MID Building	3,000		2,947	3,290	JREI	1.8	None	
		Subtotal					133,970	131,076	96,860		81.1
Other than Office Building	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	Trust beneficiary interest	26,100	24,413	26,300	Daiwa	15.8	None
		Osaka metropolitan area	R0-1	Konami Sports Club Kyobashi		2,780	2,470	3,140	Daiwa	1.7	None
	Government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas		HF-1	Dormy Inn Hakata Gion		2,280	2,237	2,880	Tanizawa	1.4	None
	Subtotal					31,160	29,121	32,320		18.9	
Total						165,130	160,197	129,180		100.0	

[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] “Book Value” is the value appropriated to the balance sheets and is expressed as the applicable asset’s acquisition price (including various acquisition expenses) less accumulated depreciation.

[Note 3] “Appraisal Value” is the appraisal value at the end of the fiscal period based on the appraisal report with June 30, 2015 as the date of the value opinion prepared by Morii Appraisal & Investment Consulting, Inc., Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. or Japan Real Estate Institute pursuant to the Regulations Concerning Accounting of Investment Corporations, methods and criteria for asset valuation defined in MCUBS MidCity’s Articles of Incorporation and rules of The Investment Trusts Association, Japan.

[Note 4] Morii: Morii Appraisal & Investment Consulting, Inc.

Tanizawa: Tanizawa Sogo Appraisal Co., Ltd.

JREI: Japan Real Estate Institute

Daiwa: Daiwa Real Estate Appraisal Co., Ltd.

[Note 5] “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. Accordingly, the entered amounts do not necessarily add up to the figures presented in the “Subtotal” and “Total” rows.

[Note 6] “Collateral” states whether or not a pledge has been established for the real estate trust beneficiary interest.

[Note 7] Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

[Note 8] Monetary amounts are rounded down to the nearest million yen.