

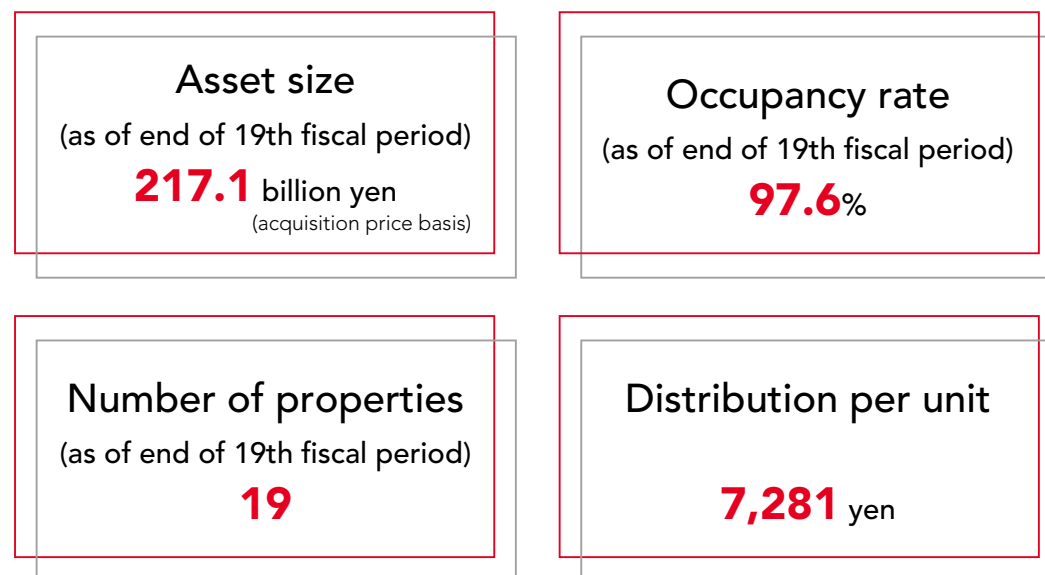
19th Fiscal Period

July 1, 2015
to
December 31, 2015

Business Report

19th Fiscal Period Financial Highlights

(July 1, 2015 to December 31, 2015)



| | 18th Fiscal Period | 19th Fiscal Period | 20th Fiscal Period (Forecast) <small>(Note)</small> | 21st Fiscal Period (Forecast) <small>(Note)</small> |
|----------------------------|--------------------|--------------------|--|--|
| Operating revenue | 5,265 million yen | 6,579 million yen | 6,855 million yen | 6,881 million yen |
| Ordinary income | 1,239 million yen | 1,937 million yen | 1,837 million yen | 1,837 million yen |
| Net income | 1,237 million yen | 1,936 million yen | 1,835 million yen | 1,835 million yen |
| Number of investment units | 192,025 units | 266,025 units | 266,025 units | 266,025 units |
| Distribution per unit | 6,444 yen | 7,281 yen | 6,900 yen | 6,900 yen |

(Note) The forecast figures above were calculated as of February 15, 2016 under certain assumptions and may change according to changes of circumstances. Furthermore, the forecasts do not guarantee the full amount of distributions.

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Leadership Message

Katsura Matsuo

Executive Director, MCUBS MidCity Investment Corporation
President & CEO & Representative Director, MCUBS MidCity Inc.

With the end of the 19th fiscal period that was marked by a series of transitions, such as change in the main sponsor and the investment corporation name, capital increase through public offering for the first time and change in the investment policy, and with the start of the 20th fiscal period, Katsura Matsuo, President & CEO & Representative Director of MCUBS MidCity Inc., was interviewed on the activities at the time, future prospects and other matters.

The year 2015 was probably the year with the most transitions since listing. How have investors responded?

A The response to the recent series of measures has been positive from almost all investors, including institutional investors and retail investors.

In addition to increasing capital through public offering, we acquired seven properties mainly in the Tokyo metropolitan area totaling 59.4 billion yen during the eight months since the change in the main sponsor and thereby managed to expand the asset size by 1.38 times to 217.1 billion yen on an acquisition price basis in comparison with the fiscal period ended December 31, 2014 (17th fiscal period). We also enhanced portfolio stability through regional diversification by expanding targeted investment regions from the Osaka area to the three major metropolitan areas and decreasing the ratio of investment in the Osaka area from 82.0% to 59.6% by the end of the fiscal period ended December 31, 2015 (19th fiscal period).

Business performance was also revised upward during the fiscal period. Please provide an overview of the 19th fiscal period.

A The status of management in the 19th fiscal period is that, in addition to the revenue increasing effects of the new properties acquired using such funds as those from capital increase through public offering, such factors as utilities and other cost reduction effects led to operating revenue increasing 25.0% period-on-period to 6,579 million yen and net income increasing 56.5% period-on-period to 1,936 million yen. These resulted in distribution per unit increasing 13.0% period-on-period to 7,281 yen.

Furthermore, in the fiscal period ending June 30, 2016 (20th fiscal period), distribution per unit is forecast to be 6,900 yen in light of such factors as the revenue increasing effects from full fiscal period revenue contribution of the new properties and expensing of real estate taxes of the new properties. We will proceed to engage in management in a manner that will further boost distributions to investors by internal growth effects, financial cost reduction effects, etc. through management going forward.

Q In terms of external growth, is the strategy to keep investing mainly in the Tokyo metropolitan area?

A Our investment policy is that 70% or more of the portfolio shall be in “the three major metropolitan areas (Tokyo metropolitan area, Osaka metropolitan area and Nagoya metropolitan area).” Our recent investments were concentrated in the Tokyo metropolitan area because the focus had been on the Osaka area to date. Of course, we will invest in not only the three major metropolitan areas but also other government-designated cities if there are prime properties.

Q What internal growth strategy is envisioned for office buildings?

A With the occupancy rate at the end of the 19th fiscal period at 97.6%, we managed to maintain a high occupancy of the same level as the previous fiscal period.

In the Tokyo metropolitan area, increase in revenue can be expected from aligning rent with market rent at the time of rent revision and at the time of rent setting with new tenants by making the most of the rent rising phase.

In the Osaka metropolitan area, we intend to put a renovation plan into action after considering revitalization measures for the

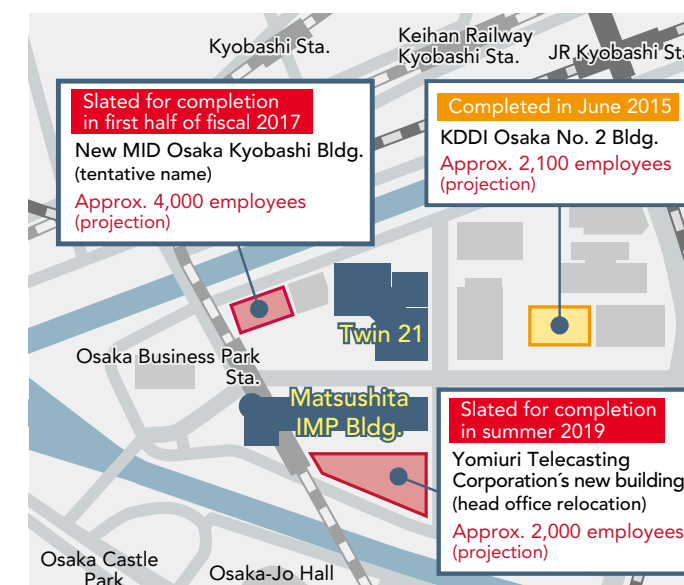
Twin 21 and Matsushita IMP Building commercial/retail zone of the Osaka Business Park (OBP). Recently, new office building development has been underway in the OBP area. Last year, construction of KDDI Osaka No. 2 Building was completed. In addition, construction of New MID Osaka Kyobashi Building (tentative name) is slated for completion in 2017. Approximately 6,000 more people are projected to work in these two properties. In addition, to the south of Matsushita IMP Building, construction of Yomiuri Telecasting Corporation’s new building (head office relocation) is slated for completion in 2019. We intend to take this opportunity to heighten the added value of portfolio properties by building in a commercial/retail zone that matches the needs of people working in nearby offices.

Q Has any progress been made in financial stability and financing cost reduction?

A MCUBS MidCity procures funds pursuant to a 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.

In the 19th fiscal period, MCUBS MidCity newly borrowed a total of 26.8 billion yen to allocate to part of funds for acquisition of new properties.

■ Osaka Business Park (OBP)



Upon the new debt financing, MCUBS MidCity extended borrowing periods, including borrowing with the longest ever borrowing period for MCUBS MidCity of eight years, in order to reinforce financial stability. In addition, lenders were diversified by newly starting debt financing from two banks.

By refinancing loans totaling 15.0 billion yen, the average remaining years of loans was extended by one year to 2.8 years and the average interest rate on loans was lowered by 0.14% in comparison with the previous fiscal period, and thereby achieved reduction of financing costs.

Furthermore, MCUBS MidCity has been assigned an issuer rating of “A- (Rating outlook: stable)” from Rating and Investment Information, Inc. (R&I), which was changed to a rating outlook of positive on October 29, 2015.

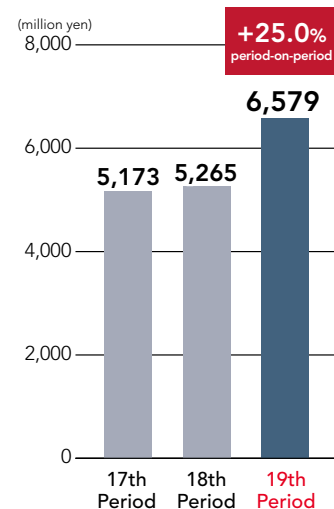
Q Lastly, please describe the new organization and outlook of MCUBS MidCity.

A The head offices of MCUBS MidCity and the Asset Management Company were relocated from Osaka to Tokyo in October 2015.

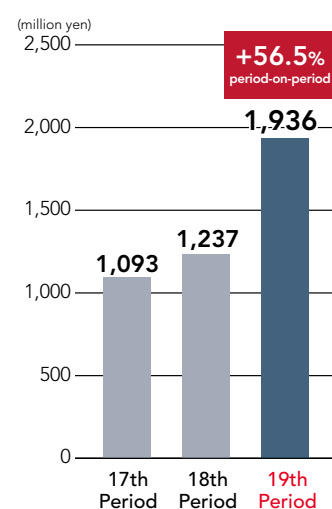
On that occasion, the Asset Management Company underwent an organizational change in an aim to clarify responsibilities and develop a sense of speed and a sense of unity, and amended internal regulations in line with the new structure to change to content that facilitates more active management.

We will continue to engage in management in pursuit of expansion of unitholder value so as to meet unitholder expectations as a member of the Mitsubishi Corp. - UBS Realty group. Your continued support of both MCUBS MidCity and the Asset Management Company would be greatly appreciated.

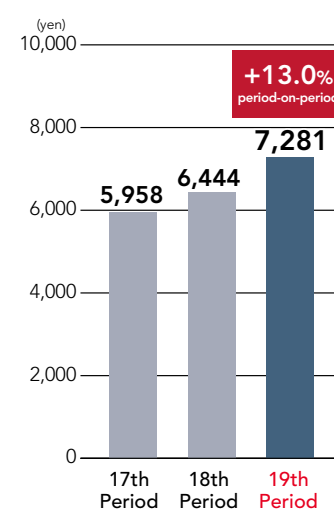
■ Operating Revenue



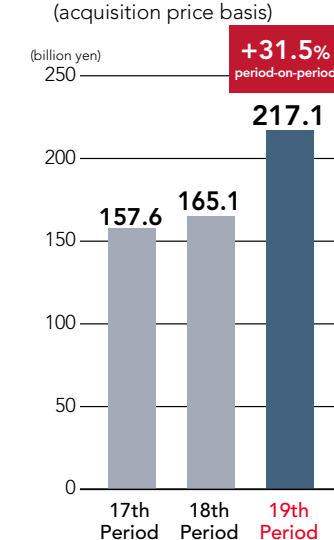
■ Net Income



■ Distribution per Unit



■ Asset Size



Introduction of Directors

MCUBS MidCity appointed one executive director and two supervisory directors at the Sixth General Meeting of Unitholders held on June 16, 2015.

Executive Director

Katsura Matsuo (photo center)

President & CEO & Representative Director, MCUBS MidCity Inc.

Supervisory Director

Haruo Kitamura (photo right)

Chief, Kitamura Certified Public Accountant Office

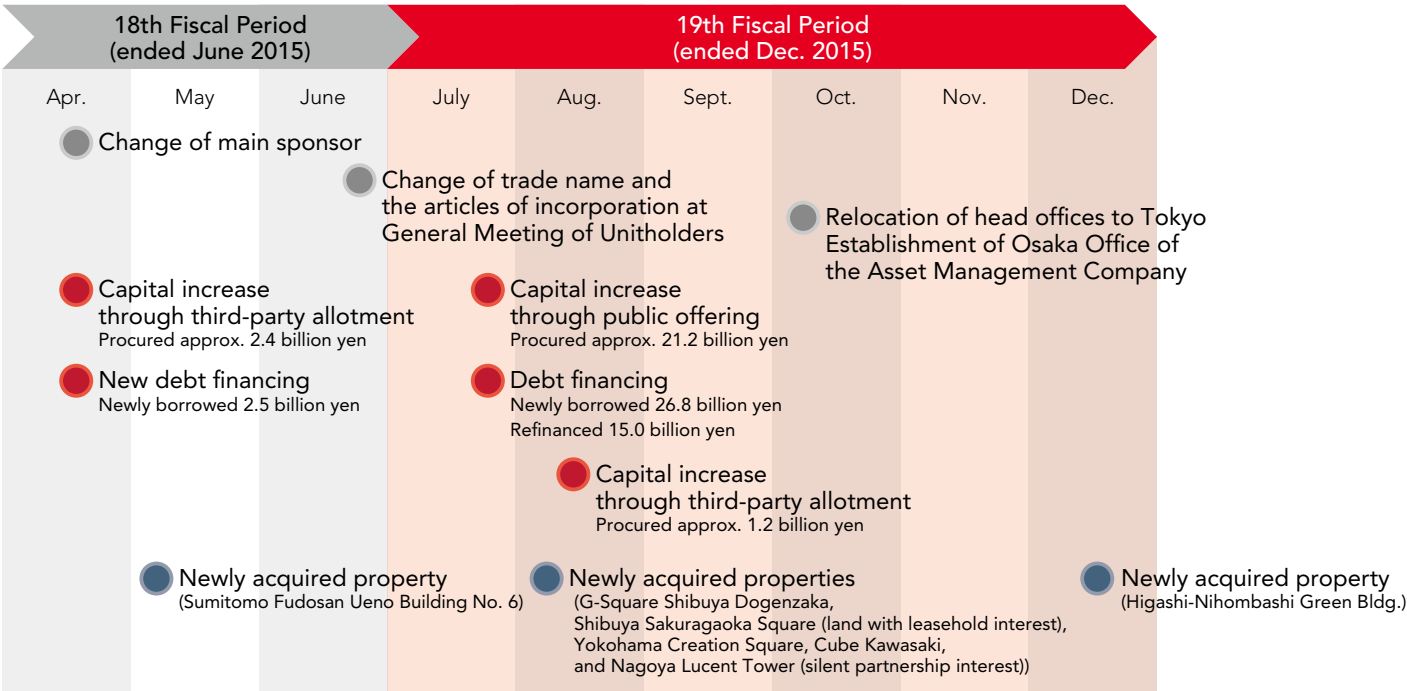
Supervisory Director

Osamu Ito (photo left)

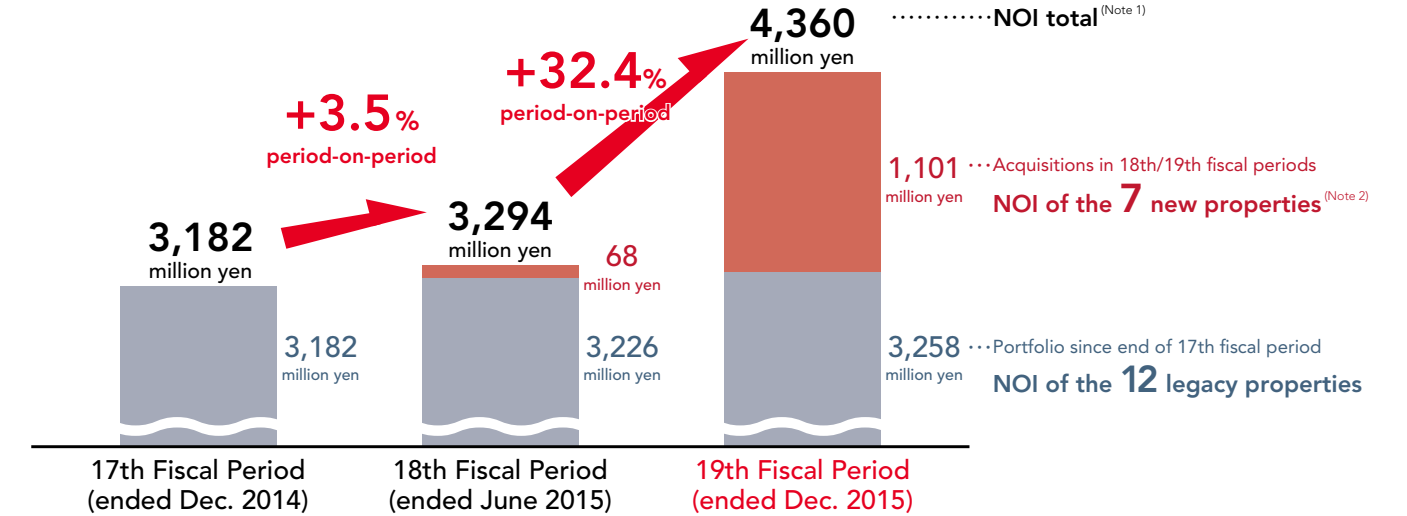
Partner, United Fusio Law Office



Measures Following Change in Main Sponsor



Growth in Real Estate Rental NOI through New Property Acquisitions



(Note 1) NOI total for the 19th fiscal period of 4,360 million yen includes 111 million yen in dividends income from Nagoya Lucent Tower (silent partnership interest).

(Note 2) NOI of the new properties is the figure for Sumitomo Fudosan Ueno Building No. 6 acquired in the 18th fiscal period and the six properties, including Nagoya Lucent Tower (silent partnership interest), acquired in the 19th fiscal period for a total of seven properties.






Issuance of New Investment Units through Public Offering and Third-Party Allotment

Capital was increased through public offering on July 29, 2015 and capital was increased through third-party allotment on August 17, 2015, and these were allocated to part of the acquisition of new properties.

| Before issuance of new investment units | | New investment units issued | | After issuance of new investment units | |
|---|------------------|-----------------------------|------------------|--|-------------------|
| 192,025 units | | Public offering | 70,000 units | 266,025 units | |
| | | Third-party allotment | 4,000 units | | |
| Unitholders' capital | 92.8 billion yen | Total issue value | 22.4 billion yen | Unitholders' capital | 115.2 billion yen |

Properties Acquired in 19th Fiscal Period

With having changed the portfolio building policy, MCUBS MidCity acquired the following properties in the 19th fiscal period using the funds procured from capital increase through public offering and third-party allotment, new debt financing and cash on hand.

| | | | |
|---|---|--|--|
| G-Square Shibuya Dogenzaka  | | Cube Kawasaki  | |
| Acquisition price | 12,220 million yen | Acquisition price | 20,050 million yen |
| Occupancy rate | 80.1% | Occupancy rate | 94.7% |
| Total land space | 918.49 m ² | Total land space | 6,247.94 m ² |
| Total floor space | 6,565.87 m ² | Total floor space | 41,290.91 m ² |
| Construction Completed | October 2009 | Construction Completed | May 1982 |
| No. of tenants | 7 | No. of tenants | 8 |
| Acquisition date | August 3, 2015 | Acquisition date | August 7, 2015 |
| Location | 2-11-1 Dogenzaka, Shibuya-ku, Tokyo | Location | 1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa |
| Access | Three-minute walk from Shibuya Station on Tokyo Metro lines | Access | Three-minute walk from Kawasaki Station on JR lines |
| Structure/scale | S/SRC with flat roof, B2/9F | Structure/scale | SRC with flat roof, B2/10F |
| Shibuya Sakuragaoka Square (land with leasehold interest) (quasi co-ownership interest: 40%)  | | Nagoya Lucent Tower (silent partnership interest) ^(Note)  | |
| Acquisition price | 5,000 million yen | Acquisition price | 4,919 million yen |
| Occupancy rate | 100.0% | Total land space | 14,100.54 m ² |
| Total land space | 1,200.08 m ² | Total floor space | 137,115.68 m ² |
| Total floor space | - | Construction Completed | November 2006 |
| Construction Completed | - | Acquisition date | August 3, 2015 |
| No. of tenants | 1 | Location | 6-1 Ushijima-cho, Nishi-ku, Nagoya-shi, Aichi |
| Acquisition date | August 3, 2015 | Access | Five-minute walk from Nagoya Station on JR lines |
| Location | 109-7 and other, Sakuragaokacho, Shibuya-ku, Tokyo | Structure/scale | S/SRC with flat roof, B3/42F |
| Access | Four-minute walk from Shibuya Station on JR lines | Yokohama Creation Square  | |
| Structure/scale | - | Acquisition price | 2,705 million yen |
| | | Occupancy rate | 100.0% |
| | | Total land space | 599.07 m ² |
| | | Total floor space | 4,210.72 m ² |
| | | Construction Completed | March 1988 |
| | | No. of tenants | 8 |
| | | Acquisition date | December 21, 2015 |
| | | Location | 2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo |
| | | Access | One-minute walk from Higashi-Nihombashi Station on the Toei Asakusa Line |
| | | Structure/scale | SRC with flat roof, 10F |

(Note) MCUBS MidCity acquired silent partnership interest with R40 GK as the operator (Silent Partnership Interest B in R40 GK; equity interest: 40%), backed by the trust beneficiary interest for the 33.9% co-ownership interest (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) (the "Underlying Asset") as the asset in trust, and has not acquired the Underlying Asset itself.

Financial Status

MCUBS MidCity borrowed 40.0 billion yen in July 2015 and 1.8 billion yen in August 2015.

Of the 40.0 billion yen, 15.0 billion yen was allocated to refinancing and 25.0 billion yen to funds for acquisition of new properties.

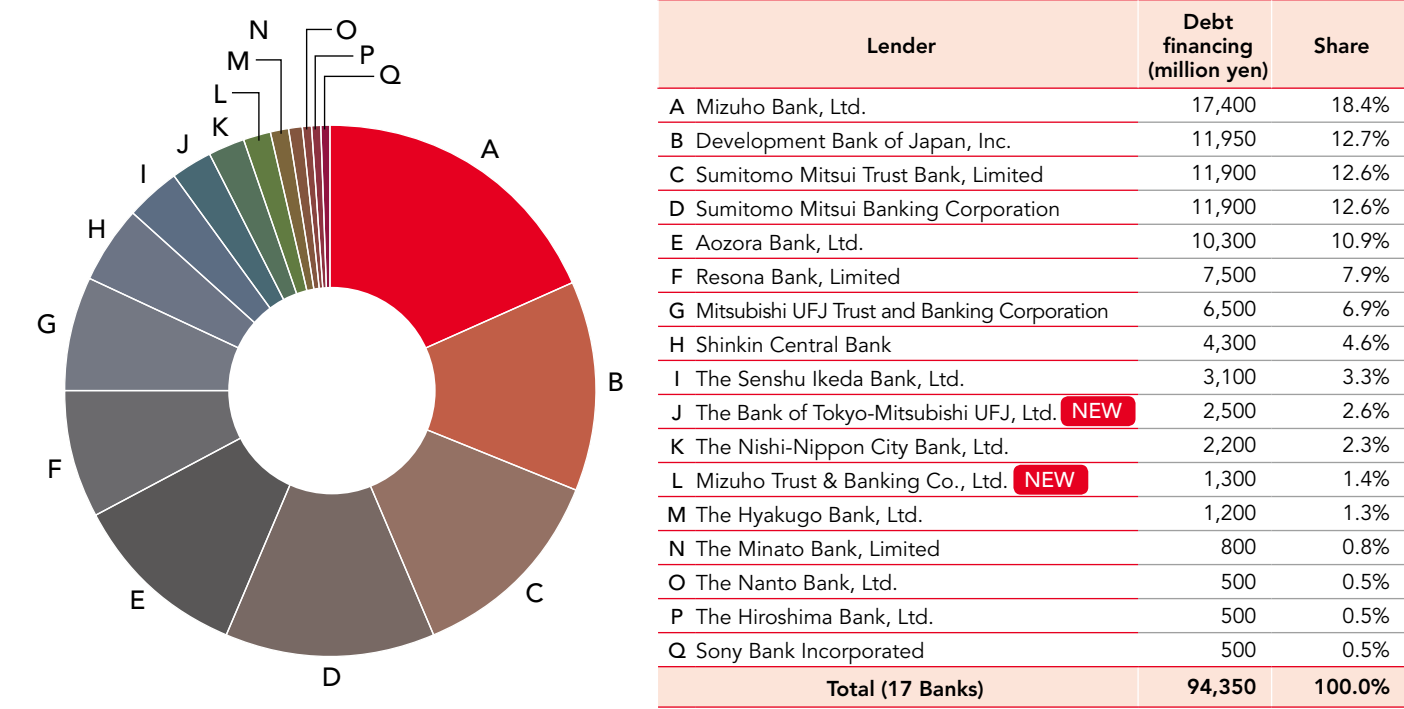
In addition, the 1.8 billion yen in the entire amount was allocated to funds for acquisition of a new property. The following is the status of debt financing as of December 31, 2015.

Total Interest-Bearing Liabilities

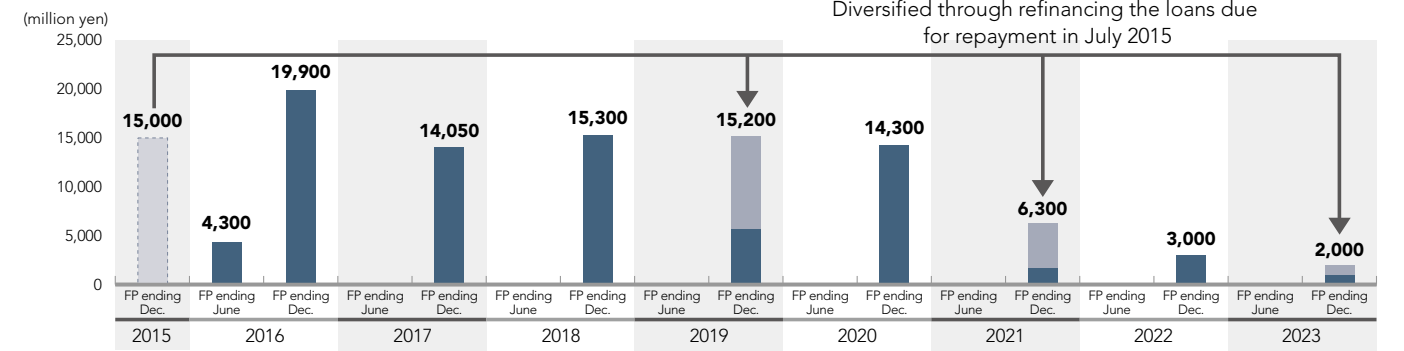
| | | | |
|-----------------------------------|--------------------|--|-------|
| Short-term loans payable (Note 1) | 4,300 million yen | Ratio of Long-term debt (Note 2) | 95.4% |
| Long-term loans payable (Note 1) | 90,050 million yen | Ratio of Fixed interest rate (Note 2) | 57.4% |
| Interest-bearing liabilities | 94,350 million yen | LTV based on fair value (appraisal value basis) (Note 4) | 46.6% |
| LTV based on book value (Note 3) | 41.7% | | |

(Note 1) Short-term loans payable refer to borrowings with a borrowing period of less than or equal to 1 year from the borrowing date to the repayment date and Long-term loans payable refer to those with a borrowing period of more than 1 year. Long-term loans payable includes current portion of long-term borrowings.
(Note 2) Weight-averaged based on the amount of loans. Ratio of fixed interest rate includes those whose interest rates have been practically fixed through conclusion of interest-rate swap agreements.
(Note 3) LTV based on book value = Total interest-bearing liabilities ÷ Total assets
(Note 4) LTV based on fair value (appraisal value basis) = Total interest-bearing liabilities ÷ (Total assets + Appraised value at end of period – Book value)

Breakdown of Financing by Bank



Diversification of Repayment Dates



(Note) 14,050 million yen due in FP ending December 2017 includes 125 million yen due on January 31, 2016, 125 million yen due on July 31, 2016 and 125 million yen due on January 31, 2017.

Portfolio Overview / Portfolio Analysis

Portfolio Overview

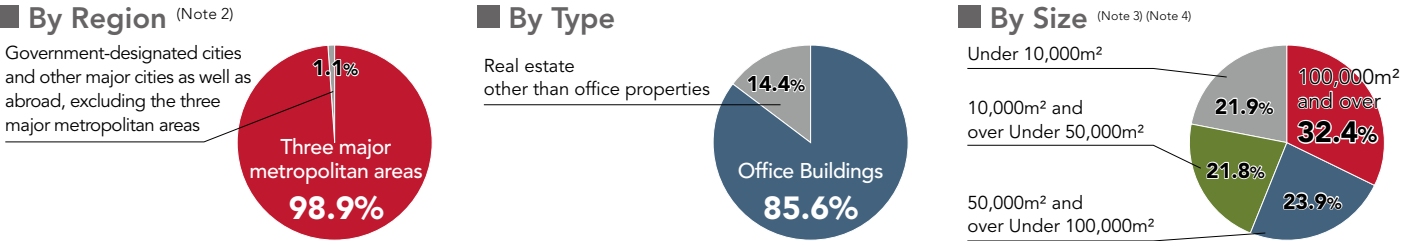
The following is the status of MCUBS MidCity’s portfolio as of December 31, 2015.

| Investment Category | Investment Area (Note 1) | Property Name | Location | Acquisition Price (million yen) (Note 2) | Investment Ratio (%) (Note 3) | Acquisition Date | Leasable Space (m²) (Note 4) | Occupancy Rate (%) (Note 5) |
|-------------------------|--------------------------------|--|-----------------------|--|-------------------------------|---------------------|------------------------------|-----------------------------|
| Office Building | Three major metropolitan areas | Sumitomo Fudosan Ueno Bldg. No. 6 | Taito-ku, Tokyo | 7,460 | 3.4 | May 2015 | 6,858.16 | 100.0 |
| | | G-Square Shibuya Dogenzaka | Shibuya-ku, Tokyo | 12,220 | 5.6 | Aug. 2015 | 5,013.55 | 80.1 |
| | | Shibuya Sakuragaoka Square (land with leasehold interest) (Quasi co-ownership interest: 40%) | Shibuya-ku, Tokyo | 5,000 | 2.3 | Aug. 2015 | 1,200.08 | 100.0 |
| | | Yokohama Creation Square | Kanagawa-ku, Yokohama | 7,080 | 3.3 | Aug. 2015 | 12,765.80 | 88.8 |
| | | Cube Kawasaki | Kawasaki-ku, Kawasaki | 20,050 | 9.2 | Aug. 2015 | 24,462.29 | 94.7 |
| | | Higashi-Nihombashi Green Bldg. | Chuo-ku, Tokyo | 2,705 | 1.2 | Dec. 2015 | 3,308.95 | 100.0 |
| | | Twin 21 (Note 6) | Chuo-ku, Osaka | 68,700 | 31.6 | Aug. 2006 | 82,313.72 | 97.6 |
| | | Matsushita IMP Bldg. | Chuo-ku, Osaka | 24,600 | 11.3 | Aug. 2006 | 37,406.94 | 97.7 |
| | | Midosuji MID Bldg. | Chuo-ku, Osaka | 8,290 | 3.8 | Aug. 2006 Oct. 2007 | 10,461.32 | 98.8 |
| | | MID REIT Kyobashi Bldg. | Miyakojima-ku, Osaka | 2,300 | 1.1 | Aug. 2006 | 4,833.88 | 100.0 |
| | | MID Imabashi Bldg. | Chuo-ku, Osaka | 3,270 | 1.5 | Apr. 2007 | 4,277.65 | 89.7 |
| | | MID Midosujikawaramachi Bldg. | Chuo-ku, Osaka | 2,000 | 0.9 | May 2007 | 3,110.49 | 87.6 |
| | | Kitahama MID Bldg. | Chuo-ku, Osaka | 10,800 | 5.0 | Apr. 2008 | 10,189.49 | 100.0 |
| | | MID Nishihommachi Bldg. | Nishi-ku, Osaka | 3,550 | 1.6 | Oct. 2008 | 3,877.38 | 85.4 |
| | | Higobashi MID Bldg. | Nishi-ku, Osaka | 3,000 | 1.4 | June 2013 | 4,655.57 | 100.0 |
| | | Nagoya Lucent Tower (silent partnership interest) (Note 7) | Nishi-ku, Nagoya | 4,919 | 2.3 | Aug. 2015 | – | – |
| Other | Subtotal (16 properties) | | | 185,944 | 85.6 | | 214,735.27 | – |
| | Three major metropolitan areas | AEON MALL Tsudanuma | Narashino-shi, Chiba | 26,100 | 12.0 | Aug. 2006 | 101,210.44 | 100.0 |
| | | Konami Sports Club Kyobashi | Miyakojima-ku, Osaka | 2,780 | 1.3 | Aug. 2006 | 9,586.26 | 100.0 |
| | Other | Dormy Inn Hakata Gion | Hakata-ku, Fukuoka | 2,280 | 1.1 | Sept. 2013 | 5,554.91 | 100.0 |
| Subtotal (3 properties) | | | | 31,160 | 14.4 | | 116,351.61 | – |
| Total (19 properties) | | | | 217,104 | 100.0 | | 331,086.88 | – |

(Note 1) Three major metropolitan areas under Investment Area indicates Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture), and Other under Investment Area indicates the government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas.
(Note 2) “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 3) “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 4) “Leasable space” refers to space (leased space only, excluding storage, halls, parking and other space, but including leasable shared or common space and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as leasable shared or common space of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leasable as of December 31, 2015. When MCUBS MidCity owns only land with leasehold interest, the entire land space is indicated. In addition, leasable space of Higashi-Nihombashi Green Building is the space presented on lease agreements, etc. that are valid at the end of December 2015.
(Note 5) “Occupancy Rate” is presented as percentage figures, which are obtained by dividing the leased space as of December 31, 2015 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 6) Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).
(Note 7) Nagoya Lucent Tower is silent partnership interest with R40 GK as the operator (Silent Partnership Interest B in R40 GK; equity interest: 40%), backed by the trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower as the asset in trust, acquired on August 3, 2015.

Portfolio Analysis

The following is the diversification of MCUBS MidCity’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) Three major metropolitan areas under Regional Classification indicates Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture).
(Note 3) Site area sizes based upon data for the total floor space of the buildings as recorded land registers (For Shibuya Sakuragaoka Square (land with leasehold interest), is based on the total land square).
(Note 4) Excluding silent partnership interests.

Tokyo metropolitan area

NEW

Sumitomo Fudosan Ueno Bldg. No. 6


Taito-ku, Tokyo



NEW

G-Square Shibuya Dogenzaka


Shibuya-ku, Tokyo



NEW

Shibuya Sakuragaoka Square (land with leasehold interest) (quasi co-ownership interest: 40%)


Shibuya-ku, Tokyo



NEW

Yokohama Creation Square


Kanagawa-ku, Yokohama-shi



NEW

Cube Kawasaki


Kawasaki-ku, Kawasaki-shi



NEW


Higashi-Nihombashi Green Bldg.

Chuo-ku, Tokyo



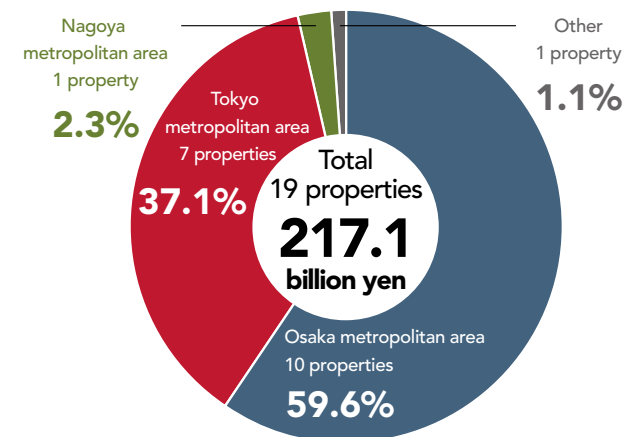
AEON MALL Tsudanuma

Narashino-shi, Chiba



NEW : Properties acquired in 19th fiscal period


By Area (acquisition price basis)



Osaka metropolitan area


Twin 21

Chuo-ku, Osaka




Matsushita IMP Bldg.

Chuo-ku, Osaka




Kitahama MID Bldg.

Chuo-ku, Osaka




Higobashi MID Bldg.

Nishi-ku, Osaka




Midosuji MID Bldg.

Chuo-ku, Osaka




MID REIT Kyobashi Bldg.

Miyakojima-ku, Osaka




MID Imabashi Bldg.

Chuo-ku, Osaka




MID Midosujikawaramachi Bldg.

Chuo-ku, Osaka




MID Nishihommachi Bldg.

Nishi-ku, Osaka



Konami Sports Club Kyobashi

Miyakojima-ku, Osaka




Nagoya metropolitan area

NEW

Nagoya Lucent Tower (silent partnership interest)


Nishi-ku, Nagoya-shi



Other

Dormy Inn Hakata Gion

Hakata-ku, Fukuoka-shi



Characteristics of MCUBS MidCity

MCUBS MidCity Investment Corporation is an investment corporation with investment focused on office buildings. Asset management is performed by MCUBS MidCity Inc., one of the shareholders of which is Mitsubishi Corp. - UBS Realty Inc. that boasts an extensive track record performing management for Japan Retail Fund Investment Corporation (REIT specializing in retail properties) and Industrial & Infrastructure Fund Investment Corporation (REIT specializing in industrial and infrastructure properties).

- Targeted investment regions “focused on the three major metropolitan areas (Tokyo metropolitan area, Osaka metropolitan area and Nagoya metropolitan area)”
- Investment focused on office buildings
- Investment in real estate abroad also in view

Targeted investment regions

Three major metropolitan areas (Tokyo metropolitan area, Osaka metropolitan area and Nagoya metropolitan area) (Note 1)

Investment ratio

70% or more30% or less

Government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas

Type (Note 2)

Office buildingReal estate other than office properties (Note 3)

Investment ratio

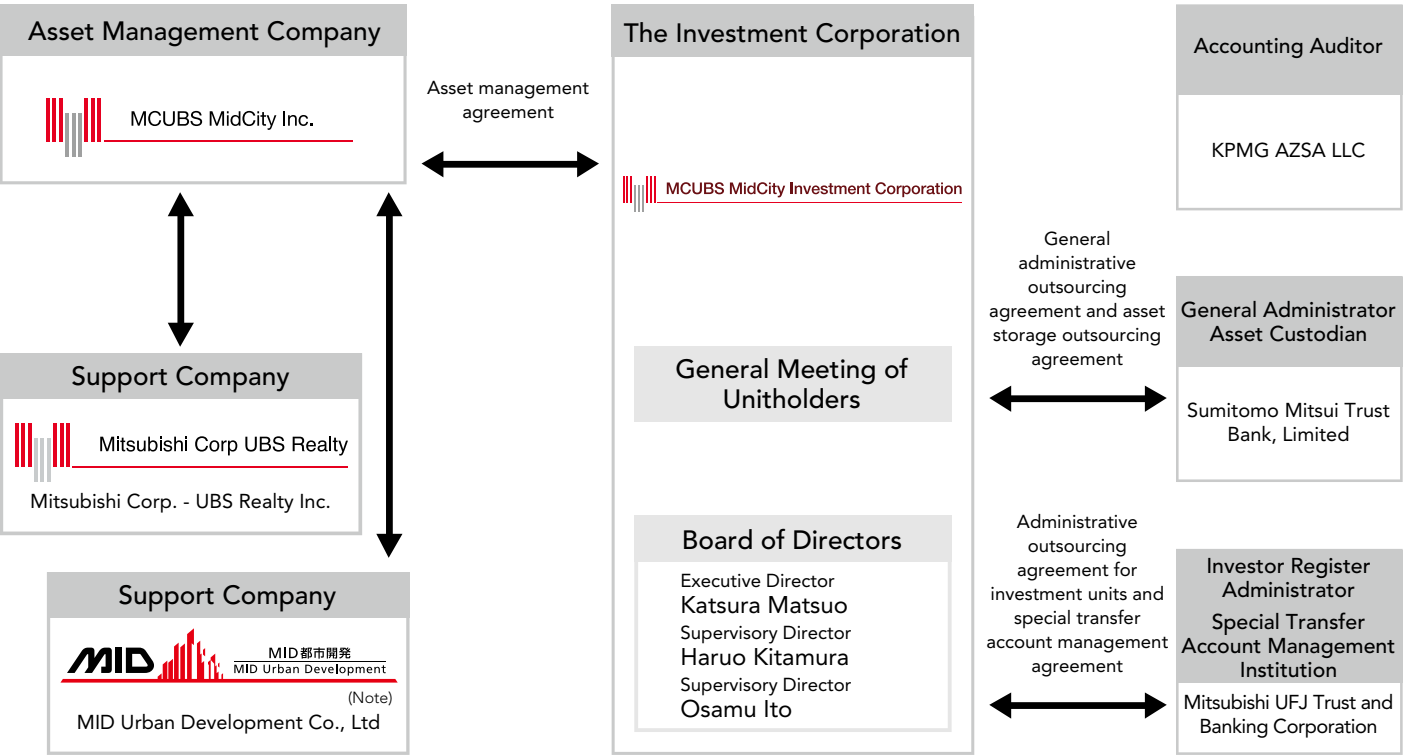
70% or more30% or less

(Note 1) Three major metropolitan areas indicates Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture).

(Note 2) When properties have multiple uses, we determine which type they belong to based on what the majority of leasable floor space for the real-estate-related assets of the portfolio as a whole are used for, and the total acquisition cost of the real-estate-related asset is included in the acquisition cost of the type.

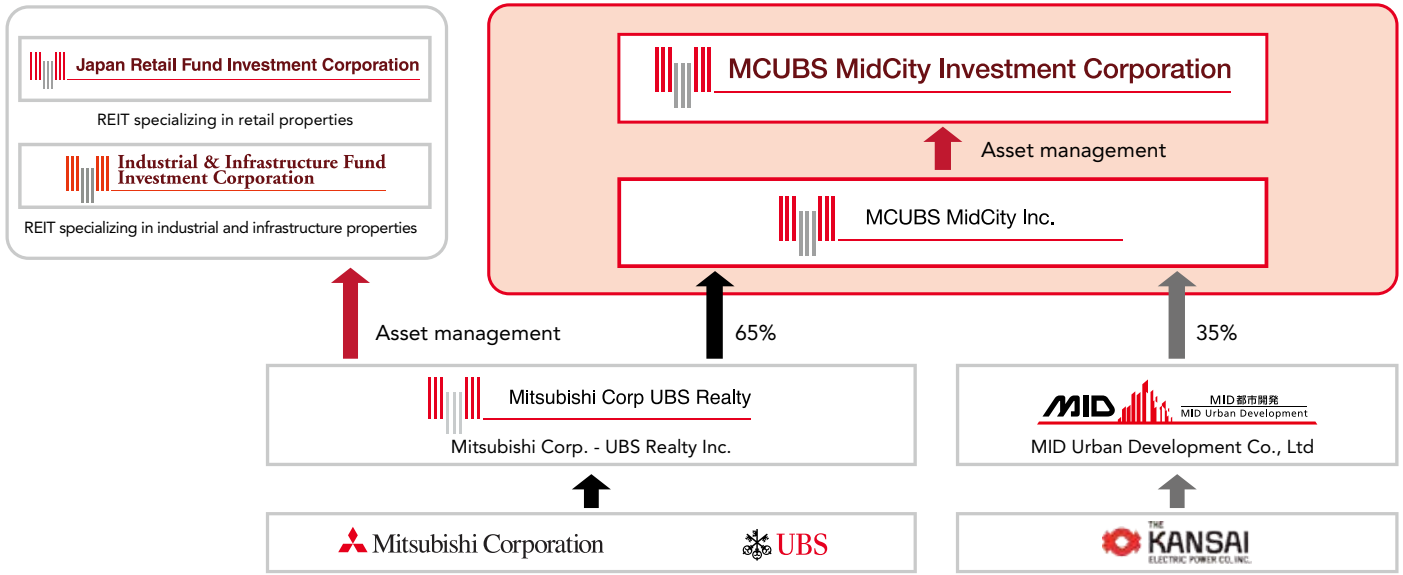
(Note 3) New investments shall be made in real estate primarily used as service apartments or hotels, and no new acquisition shall be made as to retail properties and industrial properties.

Organization of MCUBS MidCity

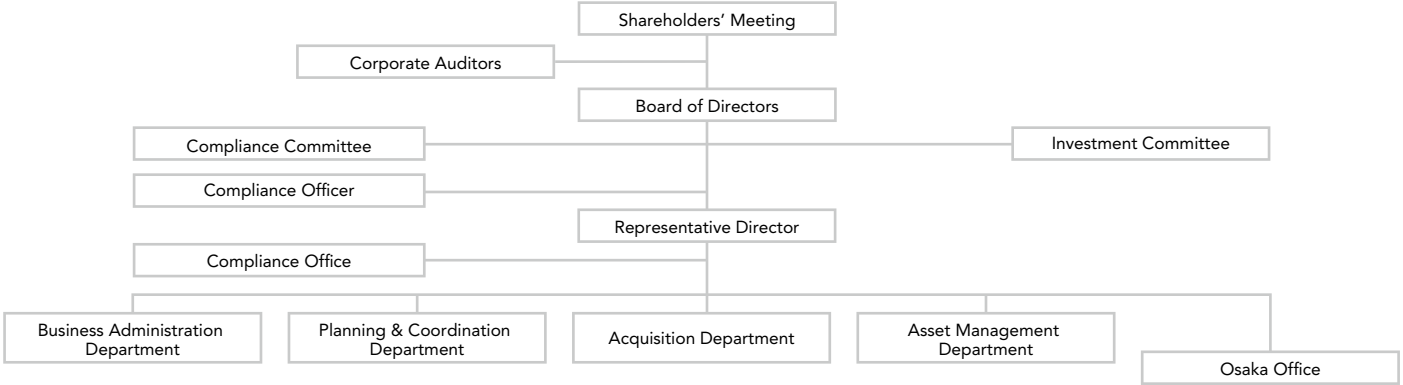


(Note) With reorganization of the real estate business of the Kansai Electric Power group, MID Urban Development Co., Ltd. is scheduled to undergo an absorption-type merger with Kanden Fudosan Co., Ltd. as the company surviving, MID Urban Development Co., Ltd. as the company being absorbed and April 1, 2016 as the effective date, and Kanden Fudosan Co., Ltd. is scheduled to change its trade name to Kanden Realty & Development Co., Ltd. on the same date. The same shall apply hereinafter.

Correlation Chart of MCUBS MidCity



Organizational Chart of Asset Management Company



Overview of Asset Management Company

| | |
|----------------------|--|
| Name | MCUBS MidCity, Inc. |
| Location | 2-7-3 Marunouchi, Chiyoda-ku, Tokyo |
| Paid-in capital | 210 million yen |
| Shareholder | Mitsubishi Corp. - UBS Realty Inc.: 65% MID Urban Development Co., Ltd.: 35% |
| Representative | Katsura Matsuo President & CEO & Representative Director |
| Business Description | Investment management business |
| Company History | September 2005: MID REIT Management Co., Ltd. established |
| | October 2005: Acquired real estate brokerage license (License Number: 1-51806, Osaka Governor) |
| | February 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) |
| | May 2006: Obtained grant for asset management under the Investment Trust and Investment Corporation Law (Grant Number: 64, Prime Minister of Japan) |
| | September 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) <small>(Note)</small> |
| | October 2010: Updated real estate brokerage license (License Number: 2-51806, Osaka Governor) |
| | April 2015: The asset manager's trade name was changed from MID REIT Management Co., Ltd. to MCUBS MidCity Inc. |
| | July 2015: Acquired real estate brokerage license (License Number: 1-8835, Minister of Land, Infrastructure, Transport and Tourism) |
| | October 2015: Relocated head office to 2-7-3 Marunouchi, Chiyoda-ku, Tokyo. |
| | December 2015: Registered as an investment management business under the FIE Law (registration change upon head office relocation) (Registration No. 2888 [FIE], Director-General, Kanto Local Finance Bureau) |

(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.

Sustainability of MCUBS MidCity

MCUBS MidCity Investment Corporation, along with its asset management company MCUBS MidCity Inc., both promote actions under a common thinking on sustainability.

Sustainability Policies

The asset management company MCUBS MidCity Inc. set the “Environmental Charter” and the “Basic Policy for Responsible Property Investment” in December 2015, based on which it also signed on to the “Principles for Financial Action for the 21st Century” and set environmental philosophy and action guidelines.

Environmental Charter

MCUBS MidCity Inc. considers the Earth itself to be the most important stakeholder and is continually working towards the realization of a sustainable society through business activities.

Basic Policy for Responsible Property Investment

MCUBS MidCity Inc. established the “Basic Policy for Responsible Property Investment,” setting a policy for integrating environmental and social considerations into investment and management processes.

Signing the “Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)”

These are principles drawn up in October 2011, with the Ministry of Environment serving as secretariat, as guidelines for action by financial institutions seeking to fulfill their roles and responsibilities necessary for the establishment of a sustainable society. MCUBS MidCity Inc. signed on to the Principles in February 2016.



Assignment with Environmental Certification and Assessment from External Organizations

DBJ Green Building Certification

“DBJ Green Building Certification” is a system for Development Bank of Japan Inc. to assign one of five ranks of certification under the objective of promoting an increase of real estate that demonstrates high consideration not only for environmental performance of the building but also disaster prevention and anticrime measures as well as societal demands from various stakeholders of real estate (“Green Building”). The properties to the right have been certified as “properties with excellent environmental and social awareness” (obtained “three stars”).



Twin 21



Matsushita IMP Bldg.



Kitahama MID Bldg.



Higobashi MID Bldg.

CASBEE

“CASBEE” (Comprehensive Assessment System for Built Environment Efficiency) is a tool for assessing and rating the environmental performance of buildings and built environment. It is a comprehensive assessment 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 built environment quality. The properties to the right have been ranked A for built environment efficiency.



G-Square Shibuya Dogenzaka



Higobashi MID Bldg.

Historical Results of Operations for MCUBS MidCity

Overview of Asset Management.

| Period | | 15th Period | 16th Period | 17th Period | 18th Period | 19th Period |
|---|-------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Fiscal period | | July 1, 2013 Dec. 31, 2013 | Jan. 1, 2014 June 30, 2014 | July. 1, 2014 Dec. 31, 2014 | Jan. 1, 2015 June 30, 2015 | July. 1, 2015 Dec. 31, 2015 |
| Operating revenue | (million yen) | 5,265 | 5,157 | 5,173 | 5,265 | 6,579 |
| (Real estate rental revenues) | (million yen) | (5,265) | (5,157) | (5,173) | (5,265) | (6,468) |
| Operating expenses | (million yen) | 3,615 | 3,543 | 3,634 | 3,582 | 4,072 |
| (Real estate rental expenses) | (million yen) | (2,979) | (3,023) | (3,123) | (3,122) | (3,471) |
| Operating income | (million yen) | 1,650 | 1,614 | 1,538 | 1,683 | 2,507 |
| Ordinary income | (million yen) | 1,177 | 1,161 | 1,087 | 1,239 | 1,937 |
| Net income | (million yen) | 1,175 | 1,160 | 1,093 | 1,237 | 1,936 |
| Total assets | (million yen) | 168,939 | 168,762 | 168,823 | 174,117 | 226,099 |
| (Period-on-period variation) | (%) | (-2.7) | (-0.1) | (0.0) | (3.1) | (29.9) |
| Net assets | (million yen) | 91,548 | 91,532 | 91,466 | 94,045 | 117,180 |
| (Period-on-period variation) | (%) | (1.2) | (-0.0) | (-0.1) | (2.8) | (24.6) |
| Interest-bearing liabilities | (million yen) | 65,550 | 65,425 | 65,300 | 67,675 | 94,350 |
| Unitholders' capital | (million yen) | 90,372 | 90,372 | 90,372 | 92,808 | 115,243 |
| Total number of investment units issued and outstanding | (units) | 183,625 | 183,625 | 183,625 | 192,025 | 266,025 |
| Net assets per unit | (yen) | 498,563 | 498,477 | 498,116 | 489,757 | 440,484 |
| Total distributions | (million yen) | 1,175 | 1,160 | 1,094 | 1,237 | 1,936 |
| Distribution per unit | (yen) | 6,404 | 6,318 | 5,958 | 6,444 | 7,281 |
| (Earnings distribution per unit) | (yen) | (6,404) | (6,318) | (5,958) | (6,444) | (7,281) |
| (Distribution in excess of earnings per unit) | (yen) | (-) | (-) | (-) | (-) | (-) |
| Ordinary income to total assets | (Note 1) (Note 2) (%) | 0.7 (1.4) | 0.7 (1.4) | 0.6 (1.3) | 0.7 (1.5) | 1.0 (1.9) |
| Net income to unitholders' equity | (Note 1) (Note 3) (%) | 1.3 (2.6) | 1.3 (2.6) | 1.2 (2.4) | 1.3 (2.7) | 1.8 (3.6) |
| Unitholders' equity to total assets at end of period | (Note 4) (%) | 54.2 (2.1) | 54.2 (0.0) | 54.2 (-0.0) | 54.0 (-0.2) | 51.8 (-2.2) |
| (Period-on-period variation) | | | | | | |
| Ratio of interest-bearing liabilities at end of period | (Note 5) (%) | 38.8 | 38.8 | 38.7 | 38.9 | 41.7 |
| Payout ratio | (Note 6) (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Number of investment properties | (properties) | 12 | 12 | 12 | 13 | 18 |
| Total leasable space | (Note 7) (m²) | 277,516.99 | 277,516.98 | 277,516.98 | 284,330.63 | 331,086.88 |
| Number of tenants at end of period | (Note 8) (tenants) | 236 | 235 | 244 | 249 | 309 |
| Occupancy rate at end of period | (Note 9) (%) | 96.1 | 98.0 | 97.7 | 98.5 | 97.6 |
| Depreciation for the period | (million yen) | 1,107 | 1,127 | 1,133 | 1,150 | 1,251 |
| Capital expenditures for the period | (million yen) | 266 | 418 | 514 | 394 | 244 |
| NOI from property leasing | (Note 10) (million yen) | 3,395 | 3,268 | 3,182 | 3,294 | 4,249 |

(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) Payout ratio” for the 18th fiscal period and the 19th fiscal period is calculated using the following formula as new investment units were issued during the period.
Payout ratio = Total distributions (excluding distribution in excess of earnings) ÷ Net income x 100

(Note 7) “Total 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.) In addition, for the 19th fiscal period, the total leasable floor space is calculated based on leasable floor space of Higashi-Nihombashi Green Building being the floor space presented on lease agreements, etc. that are valid at the end of December 2015.

(Note 8) “Number of tenants at end of period” represents the number of tenants based on lease agreements that are valid at the end of each fiscal period. (Figures are for leased units only and exclude the tenants who rent only the floor space for storage, halls, parking, etc.). When a single tenant rents multiple units in a single property and the billing of the rent for these units is consolidated, the count is as one tenant. When a single tenant occupies multiple properties, the tenant is counted for each property and subtotaled and totaled. When a master lease agreement is concluded, the count is of the number of end-tenants who are subleasing from the lessee on the master lease agreement based on the assumption that consent of all end-tenants has been obtained for the lessee on the master lease agreement to serve as the lessor. Please note that for the 16th fiscal period and earlier fiscal periods, the count is as one tenant when in a single property, regardless of whether or not the billing of the rent for these units is consolidated, and the count is as one tenant for each property and totaled when in multiple properties. When MCUBS MidCity owns only land with leasehold interest, the count is of the number of lessees of the land.

(Note 9) “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.

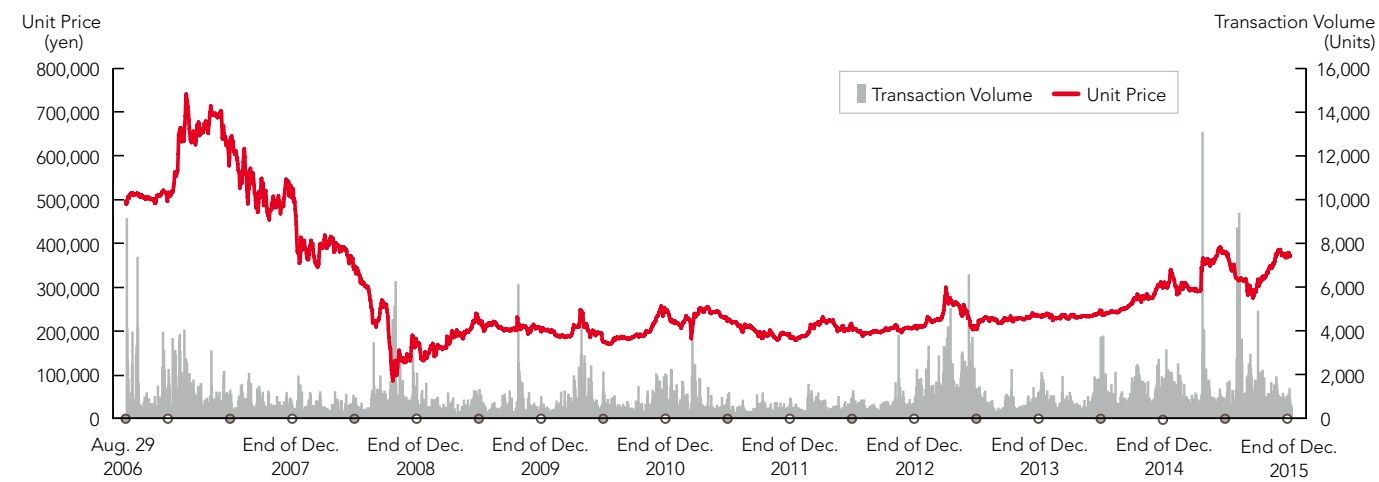
(Note 10) Rental income for the period (Real estate rental revenues – Real estate rental expenses) + Depreciation for the period + Loss on retirement of noncurrent assets for the period.

(Note 11) Silent partnership interests are not included in the number of investment properties.



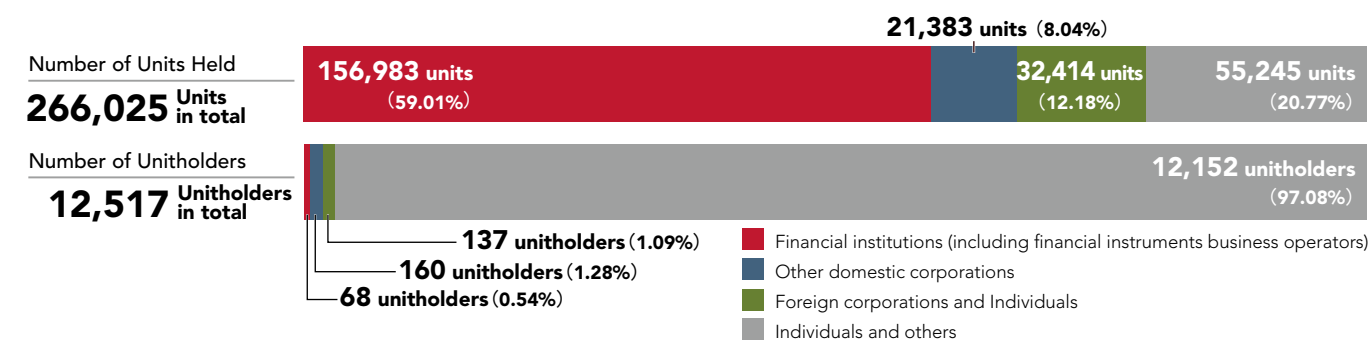
Unit Price Performance

The following is the history of investment unit prices (closing prices) and transaction volumes of MCUBS MidCity on the Tokyo Stock Exchange from the date of listing (August 29, 2006) to December 31, 2015.



Breakdown of Unitholders

The following is the breakdown of MCUBS MidCity’s unitholders as of December 31, 2015.



“My Number” System Related Procedures for Investment Units

“My Number” (the Individual Number notified to you by your municipality) is required in tax procedures for investment units.

Unitholders are thus required to notify their securities firm, etc. of their “My Number.”

Use of “My Number” in affairs related to investment units

As provided by laws and regulations, the unitholder’s “My Number” will be stated on records of payment for submission to the tax office.

Records of payment

* Records of payment of distributions

[Inquiries concerning notification of “My Number”]

■ Unitholders with investment units managed in securities accounts

⇒ Please contact your securities firm.

■ Unitholders with no securities firm

⇒ Please call the toll-free number (in Japan) below.

Mitsubishi UFJ Trust and Banking Corporation
Osaka Corporate Agency Division: 0120-094-777