

Translation

MCUBS MIDCITY INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

February 15, 2016

Name of issuer: MUCBS MidCity Investment Corporation
("the Investment Corporation")
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3227
Website: <http://www.midreit.jp/>
Representative of the Investment Corporation: Katsura Matsuo, Executive Director
Name of asset manager: MCUBS MidCity Inc.
Representative of the asset manager: Katsura Matsuo, President & CEO & Representative Director
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General Manager of Business Administration Department
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Scheduled date for filing of securities report: March 29, 2016
Scheduled date for distributions payment: March 14, 2016
Supplementary materials for financial results: Otherwise prepared
Analyst meeting: Scheduled

(Amounts of less than one million yen are rounded down)

1. Financial results for the six months ended December 31, 2015 (July 1, 2015 to December 31, 2015)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended December 31, 2015	6,579	25.0	2,507	48.9	1,937	56.4	1,936	56.5
June 30, 2015	5,265	1.8	1,683	9.4	1,239	13.9	1,237	13.1

	Net income per unit		Return on unitholders' equity		Ratio of ordinary income to total assets		Ratio of ordinary income to operating revenues	
	Yen		%		%		%	
For the six months ended December 31, 2015	7,614		1.8		1.0		29.5	
June 30, 2015	6,622		1.3		0.7		23.5	

(2) Distributions

	Distributions (excluding distributions in excess of profit)		Distributions in excess of profit		Payout ratio	Ratio of distributions to net assets
	Per unit	Total	Per unit	Total		
For the six months ended December 31, 2015	Yen 7,281	Millions of yen 1,936	Yen 0	Millions of yen 0	% 100.0	% 1.6
June 30, 2015	6,444	1,237	0	0	100.0	1.3

Note: Payout ratio is calculated by following formula because new investment units were issued.
Payout ratio = Total of distributions (excluding distributions in excess of profit) ÷ Net income × 100

(3) Financial position

	Total assets		Net assets		Ratio of net assets to total assets		Net asset value per unit	
	Millions of yen		Millions of yen		%		Yen	
As of December 31, 2015	226,099		117,180		51.8		440,484	
June 30, 2015	174,117		94,045		54.0		489,757	

(4) Cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
For the six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2015	3,245	(51,916)	47,801	9,697
June 30, 2015	2,267	(8,526)	3,699	10,567

2. Outlook for the six months ending June 30, 2016 (January 1, 2016 to June 30, 2016) and December 31, 2016 (July 1, 2016 to December 31, 2016)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2016	6,855	4.2	2,430	-3.1	1,837	-5.2	1,835	-5.2
December 31, 2016	6,881	0.4	2,430	0.0	1,837	0.0	1,835	0.0

	Net income per unit	Distributions per unit (excluding distributions in excess of profit)	Distributions in excess of profit per unit
For the six months ending	Yen	Yen	Yen
June 30, 2016	6,900	6,900	0
December 31, 2016	6,900	6,900	0

3. Others

(1) Changes in accounting policies and accounting estimates or restatements

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of units issued

Number of units issued at end of period (including treasury units):

As of December 31, 2015 266,025 units

As of June 30, 2015 192,025 units

Number of treasury units at end of period:

As of December 31, 2015 0 unit

As of June 30, 2015 0 unit

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 24.

Forward-looking Statements and Other Notes

Forward-looking statements in this presentation are based on the information currently available and certain assumptions we believe reasonable. Actual results may differ materially from the forward-looking statements in this presentation due to various factors. Furthermore, those statements do not guarantee the amount of future distributions.

For further information and assumptions regarding the forward-looking statements, please refer to “2. Management policy and results of operation, (3) Outlook of next fiscal period, (c) Outlook of business results” on page 9.

1. Summary of related corporations of the Investment Corporation

Disclosure is omitted because there are no significant changes from the “Structure of the investment corporation” presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on February 15, 2016).

2. Management policy and results of operation

(1) Management policy

Disclosure is omitted because there are no significant changes from the most recent *yuka shoken hokokusho* (securities report) (submitted on September 29, 2015), and the most recent *rinji hokokusho* (extraordinary report) (submitted on February 15, 2016).

(2) 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 19th fiscal period, MCUBS MidCity issued new investment units in July 2015 and newly acquired 5 properties (total acquisition price: ¥49,269 million, including the acquisition of silent partnership interests backed by Nagoya Lucent Tower (the same shall apply hereinafter.)) using the proceeds from the issuance of investment units and new borrowings. In December 2015, MCUBS MidCity also acquired 1 property (acquisition price: ¥2,705 million) using cash on hand. As of the end of the fiscal period under review (19th fiscal period: July 1, 2015 to December 31, 2015), MCUBS MidCity’s portfolio was comprised of 19 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the sum total of acquisition prices amounting to ¥217,104 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 and Osaka metropolitan area.

(b) Investment environment and management performance

(i) Investment environment

In the 19th fiscal period, the Japanese economy was generally on a moderate recovery trend, despite being affected by the slowdown of the Chinese economy and unstable financial markets due to the fall in crude oil prices. Although consumer spending recovery still remains, corporate earnings continue to be strong partially due to the yen depreciation and decrease in crude oil prices. Going forward, while there are risk factors such as the U.S. ending the quantitative easing policy and downside risks of the global economy, the improvement trend of corporate earnings is expected to continue and the Japanese economy is expected to continue to head toward a modest recovery with the pickup in consumer sentiment as improvement in employment and income environments continue.

In the real estate investment market, backed by a favorable financial environment, active trading continues and transaction prices are trending further upward. Active property acquisitions by J-REITs in line with new listings and capital increase through public offerings continued to take place. Transaction activities by private funds, business corporations and overseas investors are also robust, and market cap

rates are also on a declining trend due to anticipation for future rise in real estate prices.

According to the Ministry of Land, Infrastructure, Transport and Tourism's Land Price LOOK Report for the third quarter (July 1 to October 1) of 2015, the land price of intensively used land of major cities in Japan increased in 87 of the 100 districts, remained flat in 13 districts and decreased in none of the districts. Accordingly, the land price trend continues to be on an upward trend.

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

Going forward, 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. It is expected that on top of the improvement in new-contract lease terms and conditions that some tenants will start to accept increases in ongoing-contract rent.

(ii) Asset management performance

<Investment performance>

During the 19th fiscal period, in an aim for a shift to the growth stage, MCUBS MidCity acquired 5 properties in August 2015 using the funds procured through the issuance of new investment units conducted in July 2015 and new borrowings following the acquisition of a property using the proceeds from the third-party allotment in the previous fiscal period. Out of the 5 properties newly acquired, 4 properties, G-Square Shibuya Dogenzaka (acquisition price: ¥12,220 million), Shibuya Sakuragaoka Square (land with leasehold interest) (acquisition price: ¥5,000 million), Yokohama Creation Square (acquisition price: ¥7,080 million) and Cube Kawasaki (acquisition price: ¥20,050 million), are located in Tokyo metropolitan area, and 1 property, Nagoya Lucent Tower (silent partnership interests) (acquisition price: ¥4,919 million) is located in Nagoya metropolitan area. Furthermore, MCUBS MidCity acquired Higashi-Nihombashi Green Building (acquisition price: ¥2,705 million) located in Tokyo metropolitan area in December 2015 using cash on hand. As a result, the investment ratio in Osaka metropolitan area decreased by 22.4% from 82.0% a year ago, thus realizing area diversification in the portfolio.

As a result, MCUBS MidCity's portfolio as of the end of the 19th fiscal period was comprised of 19 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 98.9% (of which Tokyo metropolitan area accounting for 37.1%, Osaka metropolitan area 59.6% and Nagoya metropolitan area 2.3%) in the three major metropolitan areas and 1.1% in other areas and are distributed in terms of property type with 85.6% being office buildings and 14.4% 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 19th fiscal period at 97.6%.

In terms of building management, at Matsushita IMP Building, ongoing renewal of the interior and sanitary facilities such as bathrooms 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. Furthermore, utilities expenses during the 19th fiscal period were below the initial forecast due to decrease in fuel cost adjustment fees caused by the fall in crude oil prices, etc.

In particular, at the Osaka Business Park (hereafter, “OBP”) 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. In addition, MCUBS MidCity has started discussions concerning revitalization of retail zones at Twin 21 and Matsushita IMP Building in line with the reconstruction and new construction of office buildings in OBP.

(c) Overview of fund procurement

A. Issuance of new investment units

Based on the resolution by the board of directors’ meetings held on July 9, 2015 and July 22, 2015, MCUBS MidCity implemented issuance of new investment units through public offering with the payment date on July 29, 2015 (70,000 units) and through third-party allotment with the payment date of August 17, 2015 (4,000 units), to partly fund the new acquisition of 5 properties (total acquisition price: ¥49,269 million), etc. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 266,025 investment units.

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.

In the 19th fiscal period, MCUBS MidCity implemented new debt financing of ¥25,000 million on July 31, 2015 and ¥1,800 million on August 6, 2015 to use the proceeds as part of funds to acquire the 5 properties acquired in August 2015. Upon making the new debt financing, MCUBS MidCity diversified lenders by newly starting debt financing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Trust & Banking Co., Ltd. while extending borrowing period by conducting financing with the longest ever borrowing period for MCUBS MidCity of 8 years, in order to reinforce financial stability. In addition, MCUBS MidCity refinanced borrowings totaling ¥15,000 million, which was due for repayment on July 31, 2015. Upon refinancing, MCUBS MidCity also realized reduction of financings costs while at the same time extending borrowing period as well as the average remaining years of borrowings. As a result, the average remaining years of borrowings was extended by one year and the average interest rate on borrowings was lowered by 0.1% compared to the previous fiscal period.

As of the end of the 19th fiscal period, MCUBS MidCity had a balance of borrowings from 17 financial institutions in the amount of ¥94,350 million. The ratio of interest-bearing liabilities to total assets stands at 41.7%, 95.4% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 57.4% of loans payable have fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

MCUBS MidCity had acquired an issuer rating of “A– (Rating outlook: stable)” from Rating and

Investment Information, Inc. (R&I), but was changed to “A– (Rating outlook: positive)” on October 29, 2015.

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

(d) Overview of business performance and distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of ¥6,579 million, operating income of ¥2,507 million, ordinary income of ¥1,937 million and net income of ¥1,936 million in its performance for the 19th 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 ¥7,281.

(3) 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, where most of MCUBS MidCity’s portfolio assets are located, decrease in new supply while office demand remained strong led to improvement in vacancy rates continuing. With the improvement in new-contract lease terms and conditions at some large-scale buildings, the anticipation for market rent bottoming out has been gradually growing. However, a certain amount of time is still forecasted to be required until there will be full-scale increase in ongoing-contract rent.

In the Tokyo office leasing market, where most of the properties acquired during the 19th fiscal period are located, demand remains strong and the vacancy rate continues to improve even when there is a certain amount of new supply. Vacancy rate is likely to be stable at a low level going forward, and a rising trend is seen not only in new-contract rent but also in ongoing-contract rent in some cases.

Under such circumstances, in view of maintaining and enhancing revenue over the medium and long term, MCUBS MidCity is working on 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 property management companies 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.

Efforts have been made to attract a tenant which topped the list of “tenants that would be nice to have in OBP” in the survey, and a leasing agreement was concluded for Twin 21 in June 2015. 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.

<Strategy on leasing to attract new tenants>

Among the portfolio assets at G-Square Shibuya Dogenzaka and Yokohama Creation Square, which have relatively large vacant space, efforts will be made to attract new tenants by making proposals in line with tenant size and needs while taking advantage of excellent location and high specifications of the buildings.

Leveraging the strengths of the network of a new sponsor Mitsubishi Corp. – UBS Realty and of having as its sponsor a comprehensive real estate business group that primarily operates in Osaka, the Asset Management Company conducts market analyses by utilizing tenant information, etc. that property management companies have 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>

The Asset Management Company strives to respond to the environment and social responsibility based on the "Environment Charter" and "Basic Policy on Responsible Real Estate Investment" formulated in the fiscal period under review, and appropriately responds to the requests of society via CO₂ reduction efforts, etc.

As of the end of the 19th 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 and G-Square Shibuya Dogenzaka, which was acquired during the 19th fiscal period, have received the rank of "A Class" by Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), 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.

(ii) External growth strategy

MCUBS MidCity strives to improve the risk return characteristics 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. Upon acquisition, MCUBS MidCity aims to realize external growth by utilizing the property sourcing capacity of its sponsors, proactively leveraging the pipeline support.

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. 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. (However, it states that no new investment shall be made as to retail properties and industrial properties.)

(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

Not applicable.

(c) Outlook of business results

MCUBS MidCity expects the following business results for its 20th Fiscal Period (January 1, 2016 to June 30, 2016). For the assumptions underlying the forecast of business results, please refer to the “Assumptions Regarding Business Results Forecasts for the 20th Fiscal Period (January 1, 2016 to June 30, 2016) and the 21st Fiscal Period (July 1, 2016 to December 31, 2016)” below.

Operating revenue	¥6,855 million
Operating income	¥2,430 million
Ordinary income	¥1,837 million
Net income	¥1,835 million
Distribution per unit	¥6,900
Distribution in excess of earnings per unit	¥0

In addition, assuming that the “Assumptions Regarding Business Results Forecasts for the 20th Fiscal Period (January 1, 2016 to June 30, 2016) and the 21st Fiscal Period (July 1, 2016 to December 31, 2016)” remain unchanged, MCUBS MidCity expects the following business results forecasts for its 21st Fiscal Period (July 1, 2016 to December 31, 2016).

Operating revenue	¥6,881 million
Operating income	¥2,430 million
Ordinary income	¥1,837 million
Net income	¥1,835 million
Distribution per unit	¥6,900
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 20th fiscal period (January 1, 2016 to June 30, 2016 and the
21st fiscal period (July 1, 2016 to December 31, 2016)

Item	Assumptions
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.
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.
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 21st fiscal period from a total of 19 properties (including acquisition of silent partnership interests) owned as at December 31, 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 December 31, 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. • Dividend income from silent partnership interests is calculated by reflecting expected occupancy rate of real estate which backs cash flows.
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 ¥822 million are expected for the 20th fiscal period and ¥837 million are expected for the 21st fiscal period. • Utilities expenses in the amount of ¥684 million are expected for the 20th fiscal period and ¥729 million are expected for the 21st fiscal period. • Property taxes, etc. in the amount of ¥575 million are expected for the 20th fiscal period and ¥644 million are expected for the 21st 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 20th fiscal period will be ¥87 million more than the 19th fiscal period to amount to ¥247 million, and for the 21st fiscal period will be ¥163 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 ¥1,280 million for the 20th fiscal period and ¥1,297 million for the 21st fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses of ¥458 million are expected for the 20th fiscal period and ¥458 million are expected for the 21st fiscal period. • Borrowing related expenses of ¥115 million are expected for the 20th fiscal period and ¥115 million are expected for the 21st fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> • Assumes the balance of interest-bearing liabilities outstanding will be ¥94,225 million at the end of the 20th fiscal period and ¥94,100 million at the end of the 21st fiscal period. • Assumes the scheduled repayments in the 20th fiscal period of ¥2,500 million (due for repayment on April 28, 2016) and ¥1,800 million (due for repayment on April 28, 2016) will be refinanced for the same amount. • Assumes the scheduled repayments in the 21st fiscal period of ¥4,000 million (due for repayment on July 31, 2016) and ¥15,900 million (due for repayment on July 29, 2016) will be refinanced for the same amount. • Assumes the scheduled repayment in the 21st fiscal period of ¥125 million (due for repayment on July 29, 2016) will be repaid using cash reserves.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> • Assumes the number of investment units issued and outstanding will be the 266,025 units as at December 31, 2015 and no additional investment units will be issued through to December 31, 2016.

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).
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3. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
ASSETS		
Current assets:		
Cash and bank deposits	7,032,286	4,629,691
Cash and bank deposits in trust	6,271,387	8,262,102
Rental receivables	125,119	162,048
Income taxes receivable	—	43,592
Consumption tax refundable	132,546	246,345
Prepaid expenses	23,454	42,697
Deferred tax assets	25	14
Other	118	—
Total current assets	13,584,938	13,386,491
Noncurrent assets:		
Property, plant and equipment:		
Buildings in trust, at cost (Note 1)	66,846,055	72,816,769
Less: Accumulated depreciation	(16,915,672)	(18,139,999)
Buildings in trust, net	49,930,383	54,676,770
Structures in trust, at cost	110,824	119,205
Less: Accumulated depreciation	(22,293)	(24,228)
Structures in trust, net	88,531	94,976
Machinery and equipment in trust, at cost	7,916	7,916
Less: Accumulated depreciation	(1,391)	(1,719)
Machinery and equipment in trust, net	6,524	6,196
Tools, furniture and fixtures in trust, at cost	538,691	547,875
Less: Accumulated depreciation	(331,221)	(356,523)
Tools, furniture and fixtures in trust, net	207,469	191,351
Land in trust	109,964,747	151,954,124
Construction in progress in trust	4,298	4,298
Total net property, plant and equipment	160,201,954	206,927,718
Intangible assets:		
Software	427	310
Trademark right	416	352
Total intangible assets	843	663
Investments and other assets:		
Investment securities	—	5,085,027
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	304,946	616,627
Total investments and other assets	314,946	5,711,654
Total noncurrent assets	160,517,744	212,640,036
Deferred assets:		
Investment unit issuance costs	14,892	73,457
Total deferred assets	14,892	73,457
TOTAL ASSETS	174,117,575	226,099,985

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
LIABILITIES		
Current liabilities:		
Operating accounts payable	347,785	365,639
Short-term loans payable	2,500,000	4,300,000
Current portion of long-term loans payable	15,250,000	20,150,000
Accounts payable – other	630,101	886,858
Accrued expenses	108,476	143,141
Distribution payable	7,852	6,964
Income taxes payable	1,285	—
Advances received	719,616	951,470
Other	465,509	519,136
Total current liabilities	20,030,627	27,323,210
Noncurrent liabilities:		
Long-term loans payable	49,925,000	69,900,000
Tenant leasehold and security deposits	7,356,607	8,323,810
Tenant leasehold and security deposits in trust	2,759,656	3,372,942
Total noncurrent liabilities	60,041,264	81,596,753
TOTAL LIABILITIES	80,071,892	108,919,963
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	92,808,193	115,243,069
Surplus:		
Retained earnings	1,237,489	1,936,952
Total surplus	1,237,489	1,936,952
Total unitholders' equity	94,045,683	117,180,022
TOTAL NET ASSETS (Note 2)	94,045,683	117,180,022
TOTAL LIABILITIES AND NET ASSETS	174,117,575	226,099,985

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(2) Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Operating revenue		
Rent revenue—real estate (Note 3)	4,905,067	5,987,786
Other rental business revenue (Note 3)	360,691	480,911
Dividends income	—	111,040
Total operating revenue	5,265,758	6,579,738
Operating expenses		
Expenses related to rental business	3,122,528	3,471,541
Asset management fees	318,448	450,229
Asset custody fee	8,422	10,629
Administrative service fees	41,578	50,176
Directors' compensations	6,175	5,700
Other	85,130	84,037
Total operating expenses	3,582,283	4,072,313
Operating income	1,683,474	2,507,424
Non-operating income		
Interest income	1,391	1,631
Reversal of distribution payable	791	691
Interest on refund	—	473
Total non-operating income	2,183	2,796
Non-operating expenses		
Interest expenses	354,149	439,425
Borrowing related expenses	90,917	114,947
Amortization of investment unit issuance costs	1,353	12,590
Other	192	5,373
Total non-operating expenses	446,612	572,337
Ordinary income	1,239,044	1,937,883
Income before income taxes	1,239,044	1,937,883
Income taxes		
Current	1,567	1,000
Deferred	(3)	11
Total income taxes	1,564	1,011
Net income	1,237,480	1,936,871
Retained earnings brought forward	9	80
Unappropriated retained earnings	1,237,489	1,936,952

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(3) Statements of changes in net assets

(Thousands of yen)

For the six months ended June 30, 2015

For the six months ended June 30, 2015					
	Unitholders' equity				
	Unitholders' capital (Note 2)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
Balance as of January 1, 2015	90,372,613	1,094,046	1,094,046	91,466,660	91,466,660
Changes during the period					
Issuance of new investment units	2,435,580	—	—	2,435,580	2,435,580
Dividends from surplus	—	(1,094,037)	(1,094,037)	(1,094,037)	(1,094,037)
Net income	—	1,237,480	1,237,480	1,237,480	1,237,480
Total changes during the period	2,435,580	143,443	143,443	2,579,023	2,579,023
Balance as of June 30, 2015	92,808,193	1,237,489	1,237,489	94,045,683	94,045,683

For the six months ended December 31, 2015

For the six months ended December 31, 2015					
		Unitholders' equity			
		Surplus		Total	
	Unitholders' capital (Note 2)	Retained earnings	Total surplus	unitholders' equity	Total net assets
Balance as of July 1, 2015	92,808,193	1,237,489	1,237,489	94,045,683	94,045,683
Changes during the period					
Issuance of new investment units	22,434,876	—	—	22,434,876	22,434,876
Dividends from surplus	—	(1,237,409)	(1,237,409)	(1,237,409)	(1,237,409)
Net income	—	1,936,871	1,936,871	1,936,871	1,936,871
Total changes during the period	22,434,876	699,462	699,462	23,134,338	23,134,338
Balance as of December 31, 2015	115,243,069	1,936,952	1,936,952	117,180,022	117,180,022

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(4) Statements of cash distributions

(Yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Unappropriated retained earnings	1,237,489,974	1,936,952,363
Cash distribution declared	1,237,409,100	1,936,928,025
(Cash distribution declared per unit)	(6,444)	(7,281)
Retained earnings carried forward	80,874	24,338

Note:

In accordance with the distribution policy in Article 34, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15 of the Special Taxation Measures Act of Japan and Article 39-32-3 of the Ordinance for Enforcement of the Special Taxation Measures Act for the fiscal period, cash distributions declared for the six months ended June 30, 2015 and December 31, 2015 were ¥1,237,409,100 and ¥1,936,928,025, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 34, Paragraph 1, Item 2.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	June 30, 2015	December 31, 2015
Net cash provided by (used in) operating activities:		
Income before income taxes	1,239,044	1,937,883
Depreciation and amortization	1,150,400	1,251,891
Amortization of long-term prepaid expenses	85,368	105,199
Amortization of investment unit issuance costs	1,353	12,590
Interest income	(1,391)	(1,631)
Interest expenses	354,149	439,425
Loss on disposal of fixed assets	518	—
Changes in assets and liabilities:		
Increase in operating accounts receivable	(1,145)	(36,929)
Increase in consumption taxes refundable	(132,546)	(113,799)
Decrease in consumption taxes payable	(56,503)	—
Increase in operating accounts payable	33,100	17,854
Increase in advances received	7,675	231,853
Decrease (increase) in prepaid expenses	2,401	(19,242)
Payments of long-term prepaid expenses	—	(416,880)
Other, net	(60,365)	286,170
Subtotal	2,622,060	3,694,385
Interest income received	1,391	1,631
Interest expenses paid	(354,039)	(404,761)
Income taxes paid	(1,427)	(45,877)
Net cash provided by operating activities	2,267,984	3,245,378
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment in trust	(8,393,178)	(47,925,619)
Purchase of investment securities	—	(5,085,027)
Proceeds from tenant leasehold and security deposits	188,931	1,192,820
Proceeds from tenant leasehold and security deposits in trust	886,204	1,858,798
Payments of tenant leasehold and security deposits	(289,374)	(253,833)
Payments of tenant leasehold and security deposits in trust	(188,931)	(1,245,512)
Proceeds from restricted bank deposits in trust	—	955
Payments for restricted bank deposits in trust	(730,202)	(459,023)
Net cash used in investing activities	(8,526,551)	(51,916,442)
Net cash provided by (used in) financing activities:		
Increase in short-term loans payable	2,500,000	1,800,000
Proceeds from long-term loans payable	—	40,000,000
Repayments of long-term loans payable	(125,000)	(15,125,000)
Proceeds from issuance of investment units	2,419,333	22,363,721
Dividends paid	(1,094,370)	(1,237,605)
Net cash provided by financing activities	3,699,962	47,801,115
Net change in cash and cash equivalents	(2,558,603)	(869,948)
Cash and cash equivalents at beginning of period	13,126,505	10,567,901
Cash and cash equivalents at end of period (Note 4)	10,567,901	9,697,953

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(6) Note relating to going concern assumption

Nothing to be noted.

(7) Summary of significant accounting policies

(a) Securities

Non-marketable securities held as available-for-sale are stated at cost determined by the moving average method. Investments in Tokumei Kumiai (silent partnership) agreements are accounted for by using the equity method of accounting.

(b) Property, plant and equipment

Property, plant and equipment is recorded at cost. Depreciation of property, plant and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

Buildings	2-65 years
Structures.....	10-50 years
Machinery and equipment.....	11 years
Tools, furniture and fixtures	3-15 years

(c) Intangible assets

Intangible assets are amortized on a straight-line basis. The estimated useful life of software is five years.

(d) Long-term prepaid expenses

Long-term prepaid expenses are amortized on a straight-line basis.

(e) Investment unit issuance costs

Investment unit issuance costs are capitalized and amortized on a straight-line basis over three years.

(f) Taxes on property, plant and equipment

Property, plant and equipment are annually subject to various taxes, such as property taxes and urban planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1 of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). In subsequent calendar years, half of such taxes on property, plant and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥95,079 thousand for the six months ended December 31, 2015.

(g) Hedge accounting

In accordance with the Investment Corporation's risk management policy and its internal rules, the Investment Corporation uses derivative instruments for the purpose of hedging risks that are prescribed in the Investment Corporation's articles of incorporation. The Investment Corporation hedges fluctuations in interest rates of loans payable through the use of interest rate swaps as hedging instruments and applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under such interest swap contracts can be recognized and added to or reduced from any interest earned or incurred on the hedged asset or liability, as appropriate, and the fair value of the interest rate swap is not required to be evaluated separately. An assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition.

(i) Accounting treatment of trust beneficiary interests in real estate trusts

For the trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Investment Corporation holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the Investment Corporation in proportion to the percentage interest that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheet of the Investment Corporation.

(j) Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the statement of income and retained earnings. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

(8) Notes to financial information

Note 1 – Reduction entry for property

Acquisition costs of certain buildings in trust were reduced by government subsidies received or insurance income. The accumulated amounts of such reduction were as follows:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Reduction entry by:		
Government subsidies received	4,864	4,864
Insurance income	68,700	68,700

Note 2 – Unitholders' equity

(1) Number of units

	As of	
	June 30, 2015	December 31, 2015
Authorized	2,000,000 units	2,000,000 units
Issued and outstanding	192,025 units	266,025 units

(2) The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required by Article 67-4 of the Act on Investment Trusts and Investment Corporations of Japan.

Note 3 – Rental business revenue and expenses

Revenue and expenses related to property rental business for the six months ended June 30, 2015 and December 31, 2015 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2015	December 31, 2015
Rental business revenue:		
Rent revenue—real estate:		
Rental revenue	4,024,042	4,885,294
Common area charges	730,860	928,151
Other	150,164	174,340
Total rent revenue—real estate	4,905,067	5,987,786
Other rental business revenue:		
Utilities	339,510	441,425
Cancellation penalty	—	4,879
Other	21,180	34,606
Total other rental business revenue	360,691	480,911
Total rental business revenue	5,265,758	6,468,698
Expenses related to rental business:		
Property management fees	657,368	802,451
Utilities	550,998	680,696
Property-related taxes	518,204	508,921
Insurance	11,635	13,299
Repair and maintenance	189,856	159,470
Depreciation	1,150,400	1,251,891
Loss on disposal of property	518	—
Other	43,546	54,810
Total expenses related to rental business	3,122,528	3,471,541
Operating income from property leasing activities	2,143,229	2,997,156

Note 4 – Cash and cash equivalents

Cash and cash equivalents shown in the statement of cash flows consist of the following balance sheet items:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Cash and bank deposits	7,032,286	4,629,691
Cash and bank deposits in trust	6,271,387	8,262,102
Restricted bank deposits in trust ⁽¹⁾	(2,735,772)	(3,193,840)
Cash and cash equivalents	10,567,901	9,697,953

Note:

(1) The usage of the bank deposits in trust is restricted to repayments of tenant leasehold and security deposits.

Note 5 – Leases

(a) Lease rental revenues

The Investment Corporation leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of June 30, 2015 and December 31, 2015 scheduled to be received are summarized as follows:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Due within one year	2,856,999	2,872,348
Due after one year	6,985,265	5,608,333
Total	9,842,265	8,480,681

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of June 30, 2015 and December 31, 2015 are as follows:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Due within one year	6,036	6,036
Due after one year	28,671	25,653
Total	34,707	31,689

Note 6 – Financial instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Investment Corporation raises funds through loans payable or the issuance of investment corporation bond for the acquisition of real estate properties, expenditures on property maintenance, payment of distributions, maintaining necessary working capital funds and/or repayment of existing debt. The investment corporation bond, however, has not been issued as of December 31, 2015.

(ii) Nature and extent of risks arising from financial instruments and risk management

The funds raised through loans payable are mainly used to acquire real estate properties in trust and for the repayment of existing loans payable. Liquidity risks relating to loans payable and tenant leasehold and security deposits are managed by decentralizing maturity date of loans payable and maintaining liquidity with preparing plans for funds.

Although loans payable with floating interest rates are subject to fluctuations in market interest rates, a certain portion of loans payable with floating interest rates is hedged by interest rate swaps. The Investment Corporation manages interest fluctuation risk by adjusting a ratio of floating rate debt to the total of loans payable in response to the current financial market condition

(iii) Supplemental information on fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, if available. When quoted market prices are not available, fair value is estimated by using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated fair value may differ.

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation differences of financial instruments for which fair value is available as of June 30, 2015 and December 31, 2015.

(Thousands of yen)

	As of					
	June 30, 2015			December 31, 2015		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	7,032,286	7,032,286	—	4,629,691	4,629,691	—
(2) Cash and bank deposits in trust	6,271,387	6,271,387	—	8,262,102	8,262,102	—
Total assets	13,303,674	13,303,674	—	12,891,793	12,891,793	—
(3) Short-term loans payable	2,500,000	2,500,000	—	4,300,000	4,300,000	—
(4) Current portion of long-term loans payable	15,250,000	15,256,643	6,643	20,150,000	20,175,693	25,693
(5) Long-term loans payable	49,925,000	50,364,173	439,173	69,900,000	70,429,216	529,216
Total liabilities	67,675,000	68,120,817	445,817	94,350,000	94,904,909	554,909
(6) Derivatives instruments	—	—	—	—	—	—

Note (i): The methods and assumption used to estimate fair value are as follows:

(1) Cash and bank deposits and (2) Cash and bank deposits in trust

Because of their short maturities, the carrying amounts approximate their fair value.

(3) Short-term loans payable, (4) Current portion of long-term loans payable and (5) Long-term loans payable

Loans payable with floating interest rates changing within a short term period are stated at their carrying amounts as their carrying amounts approximate their fair values. The fair value of loans payable with fixed interest rates is determined based on the present value of contractual cash flows (when loans payable with floating interest rates are hedged by interest rate swaps which qualify for hedge accounting and meet special criteria, contractual cash flows in conjunction with the hedging interest rate swaps) discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms.

(6) Derivative instruments

Please refer to “Note 7 - Derivative instruments.”

Note (ii): Financial instruments for which fair value is difficult to determine are as follows:

(Thousands of yen)

	As of	
	June 30, 2015	December 31, 2015
Investment securities	-	5,085,027
Tenant leasehold and security deposits	7,356,607	8,323,810
Tenant leasehold and security deposits in trust	2,759,656	3,372,942

The investment securities (equity interests in silent partner ship) are not traded in markets, and it is difficult to estimate reasonable fair value. Also, the above carrying amounts of tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

Note (iii): Cash flows schedule of financial assets after the balance sheet date

(Thousands of yen)

As of June 30, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	7,032,286	-	-	-	-	-
Cash and bank deposits in trust	6,271,387	-	-	-	-	-
Total	13,303,674	-	-	-	-	-

(Thousands of yen)

As of December 31, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	4,629,691	-	-	-	-	-
Cash and bank deposits in trust	8,262,102	-	-	-	-	-
Total	12,891,793	-	-	-	-	-

Note (iv): Cash flows schedule of interest-bearing financial liabilities after the balance sheet date

(Thousands of yen)

As of June 30, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	2,500,000	-	-	-	-	-
Long-term loans payable	15,250,000	20,150,000	13,675,000	4,800,000	5,700,000	5,600,000

(Thousands of yen)

As of December 31, 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	4,300,000	-	-	-	-	-
Long-term loans payable	20,150,000	13,800,000	15,300,000	15,200,000	14,300,000	11,300,000

Note 7 – Derivative instruments

Derivative instruments are used only for hedging purpose and are subject to hedge accounting as following tables show.

As of June 30, 2015

As of June 30, 2015					(Thousands of yen)	
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps (Note 1)	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	27,600,000	21,100,000	Note 1	-

As of December 31, 2015

As of December 31, 2015					(Thousands of yen)	
Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps (Note 1)	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term loans payable	38,600,000	38,600,000	Note 1	-

Note:

- (1) As disclosed in “(7) Summary of significant accounting policies (g) Hedge accounting”, the Investment Corporation applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, can be determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (i) in “Note 6 - Financial instruments (b) Quantitative information for financial instruments”.

Note 8 – Related-party transactions

The following tables show related-party transactions for the six months ended June 30, 2015 and December 31, 2015.

For the six months ended June 30, 2015:

Type of related-party	Name	Business or occupation	Voting interest in the Company	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts ⁽²⁾	Balance sheet account	Amounts ⁽²⁾
Executive officer and relatives	Katsura Matsuo (Note 3)	Executive Director of the Investment Corporation President & CEO & Representative Director of MCUBS MidCity Inc. (the "Asset Manager")	—	Payment of asset management fee to the Asset Manager ⁽¹⁾	393,048 (Note 5)	Accounts payable - other	343,924
	Tomoyuki Goto (Note 4)	Executive Director of the Investment Corporation President & CEO & Representative Director of the Asset Manager					

For the six months ended December 31, 2015:

Type of related-party	Name	Business or occupation	Voting interest in the Company	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts ⁽²⁾	Balance sheet account	Amounts ⁽²⁾
Executive officer and relatives	Katsura Matsuo	Executive Director of the Investment Corporation President & CEO & Representative Director of the Asset Manager	—	Payment of asset management fee to the Asset Manager ⁽¹⁾	969,978 (Note 5)	Accounts payable - other	515,461

Notes:

- (1) The terms and conditions of payment of the asset management fee have been based on the Investment Corporation's articles of incorporation.
- (2) The transaction amounts exclude consumption taxes and the balance amounts include those taxes.
- (3) Katsura Matsuo was appointed as President & CEO & Representative Director of the Asset Manager on April 22, 2015 and Executive officer of the Investment Corporation on June 16, 2015.
- (4) Tomoyuki Goto retired from President & CEO & Representative Director of the Asset Manager on April 22, 2015 and Executive officer of the Investment Corporation on June 16, 2015.
- (5) Payments of the asset management fee for the six months ended June 30, 2015 and December 31, 2015 include acquisition fee capitalized as part of the acquisition cost of properties amounted to ¥74,600 thousand and ¥519,749 thousand, respectively.

Note 9 – Fair value of investment and rental property

The Investment Corporation has mainly office buildings as investment and rental properties which are located in Tokyo and Osaka metropolitan areas or other areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended June 30, 2015 and December 31, 2015.

	(Thousands of yen)	
	As of / For the six months ended	
	June 30, 2015	December 31, 2015
Net book value		
Balance at the beginning of the period	153,137,466	160,197,655
Net increase during the period ⁽¹⁾	7,060,189	46,725,764
Balance at the end of the period	160,197,655	206,923,420
Fair value⁽²⁾	129,180,000	183,420,000

Notes:

- (1) For the six months ended June 30, 2015:
Changes in the net book value are mainly due to acquisition of trust beneficiary interest in Sumitomo Fudosan Ueno Building No.6 amounting to ¥7,816,951 thousand offset by depreciation.
For the six months ended December 31, 2015:
Changes in the net book value are mainly due to acquisition of trust beneficiary interest in G-Square Shibuya Dogenzaka, Shibuya Sakuragaoka Square (land with leasehold interest), Yokohama Creation Square, Cube Kawasaki and Higashi-Nihombashi Green Building totaling ¥47,732,963 thousand offset by depreciation.
- (2) Fair value has been determined based on the appraisal value provided by independent real estate appraisers.

For rental revenues and expenses for the six months ended June 30, 2015 and December 31, 2015, please refer to "Note 3 – Rental business revenue and expenses."

Note 10 – Segment information

Segment information for the six months ended June 30, 2015 and December 31, 2015 is as follows:

(a) Operating segment information

Disclosure is omitted as the Investment Corporation is comprised of a single reportable segment engaged in the property rental business.

(b) Enterprise-wide disclosures

(i) Information about products and services

Disclosure is not required as revenues from external customers for the single segment are in excess of 90% of total revenues.

(ii) Information about geographic areas

Revenues from overseas customers:

Disclosure is not required as revenues from external customers attributable to Japan are in excess of 90% of total revenues.

Tangible fixed assets:

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

(c) Information about major customers

Name of customer	Revenues for the six months ended		Relating segment
	June 30, 2015	December 31, 2015	
Panasonic Corporation	975,020	925,719	Property rental business
AEON Retail Co., Ltd.	726,000	726,000	Property rental business

(Thousands of yen)

Note 11 – Per unit information

The net asset value per unit as of June 30, 2015 and December 31, 2015 was ¥489,757 and ¥440,484, respectively. Net income per unit for the six months ended June 30, 2015 and December 31, 2015 was ¥6,622 and ¥7,614, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Investment Corporation has no potentially dilutive units.

A basis of calculation of net income per unit is as follows:

	For the six months ended	
	June 30, 2015	December 31, 2015
Net income	1,237,480	1,936,871
Effect of dilutive units	—	—
Net income attributable to unitholders	1,237,480	1,936,871
Adjusted weighted-average number of units outstanding for the period	186,874 units	254,351 units

(Thousands of yen)

Note 12 – Subsequent events

None

Note 13 – Investment securities

Notes relating to investment securities are omitted as the investment securities (equity interests in silent partnership) are not traded in markets, and it is difficult to estimate reasonable fair value.

Note 14 – Omission of disclosure

Note relating to income taxes, retirement benefits and asset retirement obligations are omitted as immaterial.

Note 15 – Changes in unit issued and outstanding

The Investment Corporation raised funds totaling ¥22,434 million by issuance of 70,000 units in July 2015 and 4,000 units in August 2015 as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
July 29, 2015	Public offering	70,000	262,025	21,222	114,030	Note 1
August 17, 2015	Allocation of investment units to a third party	4,000	266,025	1,212	115,243	Note 2

Note 1 New investment units were issued at a price of ¥313,462 per unit (subscription price of ¥303,174 per unit) through a public offering in order to raise funds for acquiring new property.

Note 2 New investment units were issued at a price of ¥303,174 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on July 29, 2015.

4. Changes in officers

(1) Officers of the Investment Corporation

None

(2) Officers of the Asset Manager

Yushi Kamatani was appointed as Corporate Auditor (part time) of the Asset Manager on October 5, 2015.

5. Additional information

(1) Composition of assets

Classification of assets	Investment category	Investment area		As of June 30, 2015		As of December 31, 2015	
				Total of net book value (Millions of yen)	Ratio to total assets (Note 1) (%)	Total of net book value (Millions of yen)	Ratio to total assets (Note 1) (%)
Trust beneficial interest in real property	Office Building	Three major metropolitan areas	Tokyo metropolitan area (Note2)	7,804	4.5	55,428	24.5
			Osaka metropolitan area (Note2)	123,271	70.8	122,526	54.2
	Other	Three major metropolitan areas	Tokyo metropolitan area (Note2)	24,413	14.0	24,297	10.7
			Osaka metropolitan area (Note2)	2,470	1.4	2,452	1.1
		Other areas		2,237	1.3	2,217	1.0
	Sub-total			160,197	92.0	206,923	91.5
Investments in Tokumei Kumiai agreement (Note 3)			—	—	5,085	2.2	
Bank deposits and other assets			13,919	8.0	14,091	6.2	
Total assets			174,117	100.0	226,099	100.0	
Total liabilities			80,071	46.0	108,919	48.2	
Total net assets			94,045	54.0	117,180	51.8	

Note 1 “Ratio to total assets” is calculated by rounding to the nearest first decimal place.

Note 2 The Tokyo metropolitan area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the Osaka metropolitan area consists of Osaka, Kyoto and Hyogo prefectures.

Note 3 Investments in Tokumei Kumiai agreement is 40% equity interest of silent partnership with R40 Godo Kaisha whose investment asset is trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower.

Note 4 Construction in progress in trust is included in “Bank deposits and other assets”.

(2) Investment assets

(a) Investment securities

The investment in Tokumei Kumiai (“TK”) agreement as of December 31, 2015 was as follows:

Name	Classification of assets	Quantity	Net book value (Millions of yen)		Fair value (Note2) (Millions of yen)		Ratio to total assets (Note 3) (%)
			Per unit	Amount	Per unit	Amount	
Equity interest of TK agreement managed by R40 Godo Kaisha (Note 1)	Investments in Tokumei Kumiai agreement	—	—	5,085	—	5,085	2.2

Note 1 The investment asset is trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower.

Note 2 Fair value represents net book value of the equity interest of TK agreement.

Note 3 “Ratio to total assets” is calculated by rounding to the nearest first decimal place.