

# 21<sup>st</sup> Fiscal Period

July 1, 2016  
to  
December 31, 2016

## Business Report

## 21st Fiscal Period Financial Highlights

(July 1, 2016 to December 31, 2016)

**Asset size**  
(as of end of 21st fiscal period)  
**217.1** billion yen  
(acquisition price basis)

**Occupancy rate**  
(as of end of 21st fiscal period)  
**97.7%**

**Number of properties**  
(as of end of 21st fiscal period)  
**19**

**Distribution per unit**  
**7,431** yen

	20th Fiscal Period	21st Fiscal Period	22nd Fiscal Period (Forecast)	23rd Fiscal Period (Forecast)
Operating revenue	6,824 million yen	7,005 million yen	8,054 million yen	7,545 million yen
Ordinary income	1,889 million yen	1,977 million yen	2,590 million yen	2,374 million yen
Net income	1,888 million yen	1,976 million yen	2,589 million yen	2,373 million yen
Number of investment units	266,025 units	266,025 units	296,625 units	296,625 units
Distribution per unit	7,100 yen	7,431 yen	7,900 yen	8,000 yen

(Note) The forecast figures above were calculated as of February 14, 2017 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.



Approximately 1.5 years have passed since the change in the main sponsor. With the end of the fiscal period ended December 31, 2016 (21st fiscal period), Katsura Matsuo, President & CEO & Representative Director of MCUBS MidCity Inc., was interviewed on the current circumstances, future strategy and other matters.

**Q Actions have been proactively carried out in the shift to a growth stage since the change in the main sponsor. What is the current status of the investment corporation?**

**A** Profitability has been steadily improving due in part to revenue increasing from newly acquiring properties in the 18th and 19th fiscal periods, mainly in the Tokyo area, and cost reduction efforts such as reviewing property operating expenses. In addition, in the fiscal period under review (21st fiscal period), we managed to also further strengthen the financial base by implementing refinancing and establishing a commitment line. As a result, the issuer rating, which has been A- (Positive), was also upgraded to A (Stable) in October 2016, making the road to growth of MCUBS MidCity Investment Corporation (hereafter, “MCUBS MidCity”) also more certain.

**Q Please outline the 21st fiscal period business performance?**

**A** In the 21st fiscal period, business performance saw contribution of such factors as the effects of reduction of various expenses, in addition to increase in revenue

due to such factors as rent generating from new-contract tenants, led to operating revenue increasing 2.7% period-on-period to 7,005 million yen and net income increasing 4.7% period-on-period to 1,976 million yen. These resulted in distribution per unit increasing 4.7% period-on-period to 7,431 yen, marking steady progress on the path of continuous growth in distribution per unit aimed by MCUBS MidCity.

**Q A high occupancy rate was maintained again in the 21st fiscal period. What is the status of management for properties in the Tokyo area, and the status of management for properties in the Osaka area where there have been some contract cancellation notices?**

**A** With the occupancy rate of the entire portfolio at the end of the 21st fiscal period at 97.7%, a high occupancy rate has continued to be maintained. At G-Square Shibuya Dogenzaka, the occupancy rate of which was 79.5% at the end of the previous fiscal period (end of June 2016), we succeeded in making all vacancies occupied during the 21st fiscal period by drawing on its

high grade in terms of building location and specifications, and also managed to raise even the contracted rent to the market rent level. There was unfortunately another vacancy at the end of November 2016, but new tenancy has already been secured, resulting in 100% occupancy from March 2017. In addition, in September 2016, we received contract cancellation notices from three tenants of Matsushita IMP Bldg. in Osaka to vacate in September and October 2017. While it is unfortunate to see relocations by tenants that have been with us for so long, the sum total of the space to be vacated by the three tenants is 1.8% of the entire portfolio and not exceptionally large even in comparison with the space that regularly becomes vacant, and the Osaka office leasing market is also in a state of tight supply and demand with new supply being extremely low. We are thus executing various leasing measures to fully ensure these are occupied again.

### Q Please elaborate on the strengthening of financial measures mentioned at the beginning.

**A** The 19.9 billion yen in long-term loans payable due for repayment in July 2016 was refinanced by using a portion (1.5 billion yen) of the funds procured from investment corporation bonds in the previous fiscal period (20th fiscal period) and newly borrowing 18.4 billion yen. We thereby succeeded in reducing financing costs while further diversifying maturity dates, extending borrowing periods and fixing borrowing interest rates. In addition, we established a commitment line—MCUBS MidCity's first—in the amount of 15.0 billion yen (contract period of 3 years) with Mizuho Bank in August 2016, which was followed by a transfer of status to have Sumitomo Mitsui Trust Bank and The Bank of Tokyo-Mitsubishi UFJ also joining this syndicate, and thereby also managed to build a stronger framework of support from financial institutions.

### Q Actions towards sustainability, too, have been proactively carried out. What initiatives were taken in the 21st fiscal period?

**A** In the 21st fiscal period, we participated for the first time in the GRESB Real Estate Assessment 2016 and received the highest rating “Green Star.” We also received a four-star rating on a five-star scale in the GRESB Rating.

In addition, MCUBS MidCity received BELS certification, the Ministry of Land, Infrastructure, Transport and Tourism's public evaluation system for evaluating the energy conservation performance of non-residential buildings, for the first time for the three properties Kitahama MID Bldg., G-Square Shibuya Dogenzaka and Higobashi MID Bldg.

### Q Since December 2016, acquisition and disposition of assets have been announced, followed by also announcement of capital increase through public offering. Can you tell us about the series of actions?

**A** Since the change in the main sponsor, we have been working on growing the portfolio and strengthening the base under the declaration to shift to a growth stage.

We worked on strategic asset replacement with “portfolio management enhancement for further growth” as the theme starting from the 21st fiscal period, and announced the second capital increase through public offering in February 2017.

Ahead of that, in February, we acquired the remaining land with leasehold interest and the building of Shibuya Sakuragaoka Square to add to the existing holding of part of the land with leasehold interest and also acquired Sendai Capital Tower, which is conveniently located in close proximity to Sendai Station.

In addition, in March, disposition of two properties in the Osaka area, where there are unrealized losses, is scheduled at prices that will result in no unrealized loss combined by seizing the good opportunity for property disposition. Additionally, with the funds procured from the capital increase through public offering and the disposition of properties, we are also scheduled to newly acquire two properties in the Tokyo area, which are Sasazuka Center Bldg. in March and USC Bldg. (approx. 46% quasi co-ownership interest) in April. Through these series of actions, the ratio of investment in the Tokyo area is scheduled to increase to 44.7% (37.1% at end of 21st fiscal period) and unrealized loss of the entire portfolio is scheduled to decrease to 4.4% (7.3% at end of 21st fiscal period).

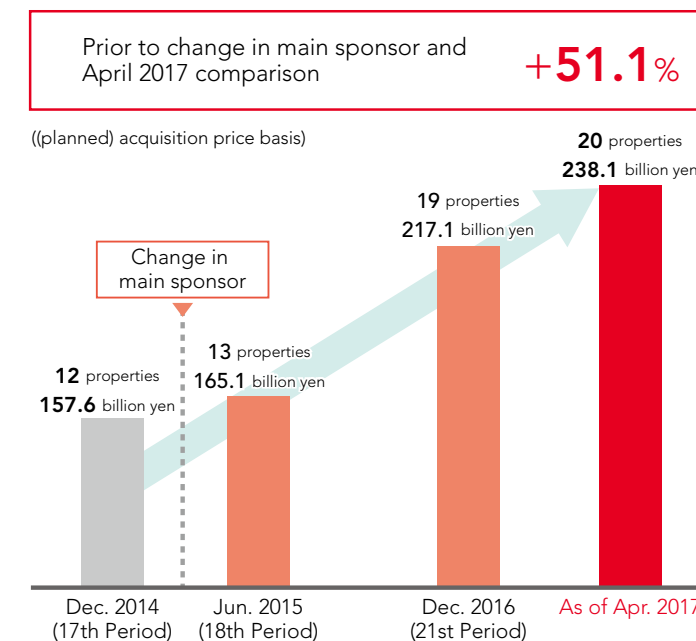
As a result of the acquisition of new properties and the effects of the replacement, we forecast growth potential in distribution per unit to 7,900 yen for the fiscal period ending June 30, 2017 (22nd fiscal period) and 8,000 yen for the fiscal period ending December 31, 2017 (23rd fiscal period), and

expect that we can achieve further enhancement of unit-holder value and improvement of the portfolio.

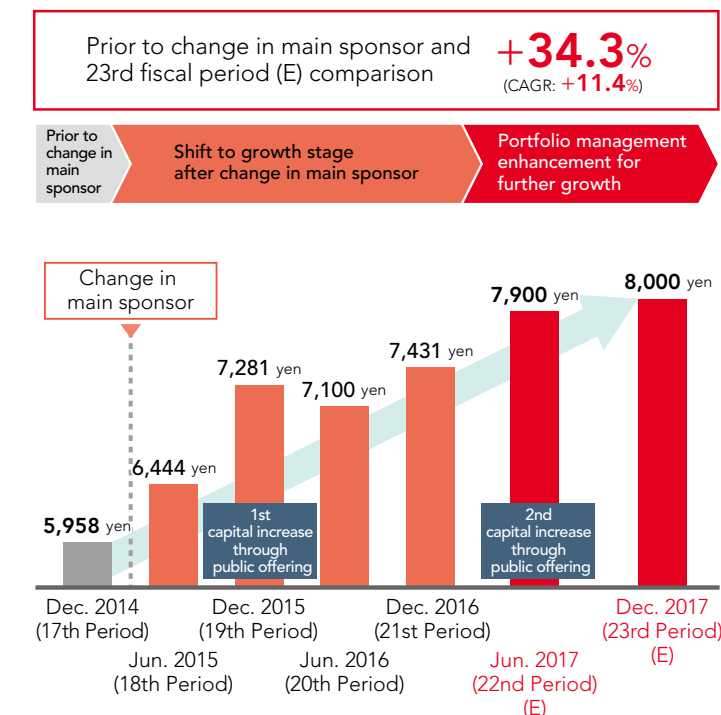
### Q Lastly, do you have a message for unitholders?

**A** In June 2016, we completely revamped our website in an aim for a website that is easy to read and use. Fortunately, it has been well received, with Daiwa Investor Relations Co. Ltd. awarding it with the “Internet IR Commendation Award 2016” in 65th place in the overall ranking of 3,698 listed companies and also Nikko Investor Relations Co., Ltd. selecting it for Grade AA website in its ranking survey. We will continue to work to communicate information useful to unitholders in a timely manner and also continue to carry out various measures and reforms in an effort to meet the expectations of unitholders. Your continued support would be greatly appreciated.

### ■ Asset Size After Change in Main Sponsor



### ■ Distribution per Unit After Change in Main Sponsor

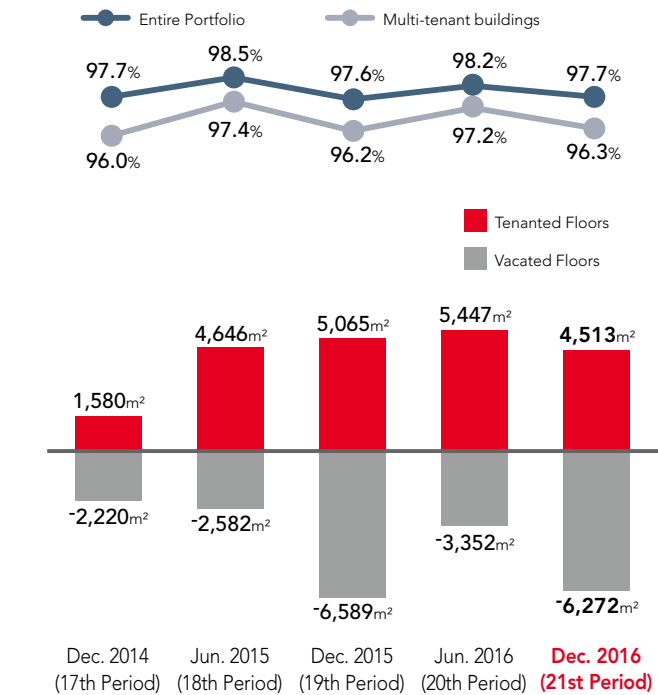




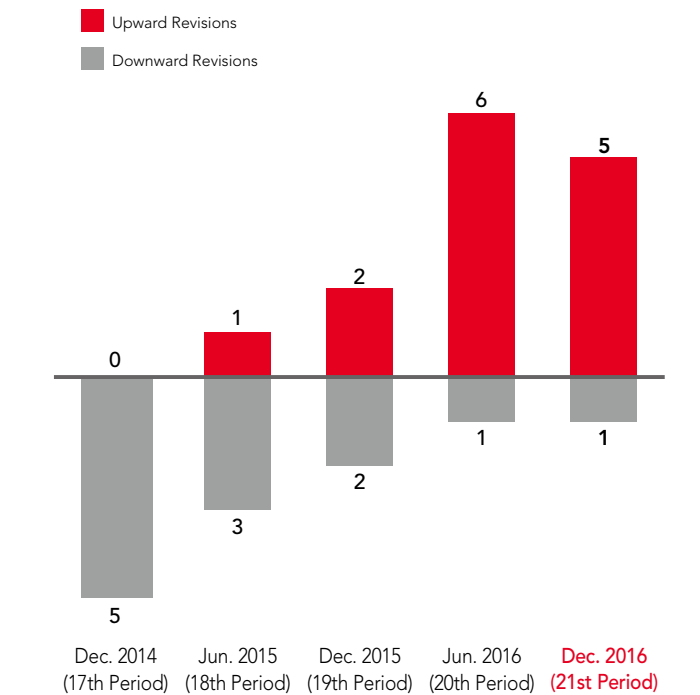
## Status of Portfolio Management

While maintaining a high level of occupancy rate both for the entire portfolio and multi-tenant buildings, we are focusing on increasing the number of upward rent revisions as well as the unit price of rent, and steadily engaging ourselves in improvement of portfolio profitability.

### Occupancy and Tenant Turnover



### Revisions of Lease Agreements

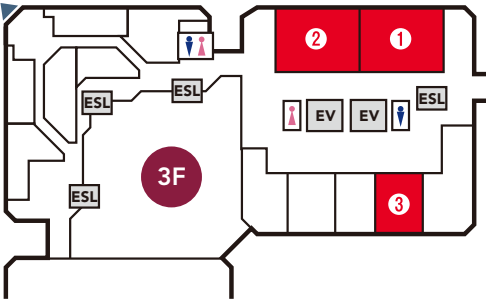


## Leasing Aimed at Revitalization of Commercial Zone through Tenant Replacement

Renewal to satisfy the demands observed in the survey on tenant satisfaction.

### Twin 21

For Kyobashi Station

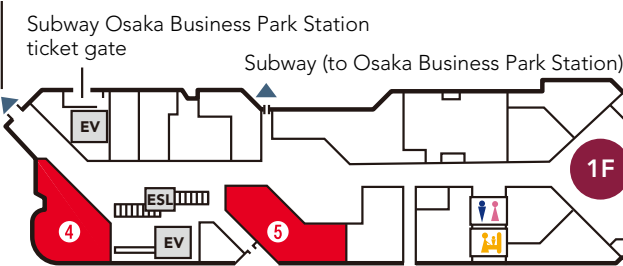


- 1 "Saizeriya" (casual Italian restaurant) Opened September 2016
- 2 "Uomori" (seafood Japanese pub) (pictured) Opened October 2016
- 3 "Kitchen Jiro" (Western-style restaurant) Opened February 2017



### Matsushita IMP Bldg.

JR Tozai Line (to Osakajokitazume Station)



- 4 "FLET'S" (100-yen shop) Opened December 2016
- 5 "CAFFE VELOCE" (café) (pictured) Opened December 2016



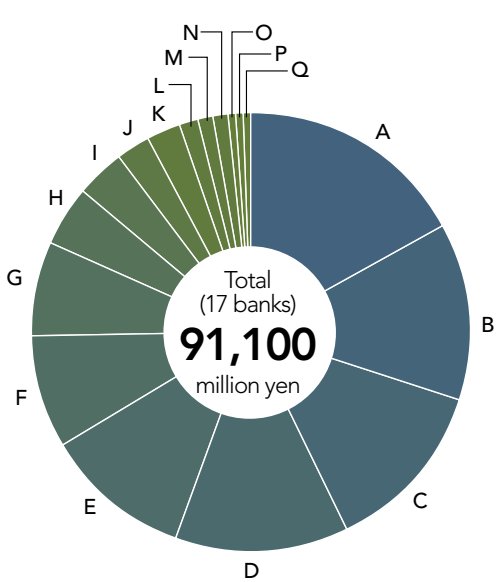
The following is the status of debt financing as of December 31, 2016.

## Total Interest-Bearing Liabilities

Short-term loans payable	–	Ratio of long-term interest-bearing liabilities (Note 2)	100.0%
Long-term loans payable (Note 1)	91,100 million yen	Ratio of fixed interest rate (Note 2)	74.8%
Investment corporation bonds	3,000 million yen	LTV (appraisal value basis) (Note 3)	44.6%
Interest-bearing liabilities	94,100 million yen	LTV (book value basis) (Note 4)	41.7%

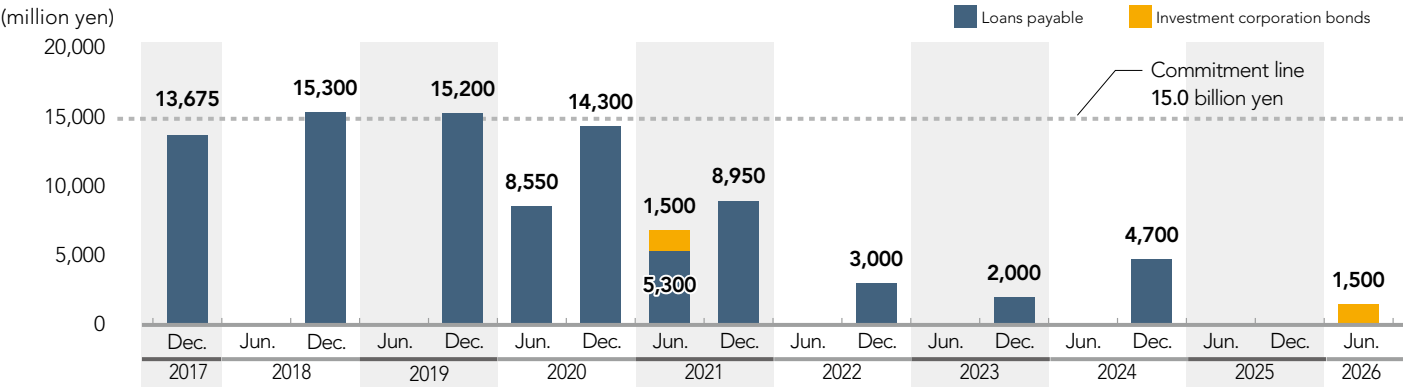
(Note 1) Long-term loans payable includes current portion of long-term loans payable.  
 (Note 2) Weight-averaged based on the amount of loans. Ratio of fixed interest rate includes those whose interest rates have been practically fixed through interest rate swap agreements.  
 (Note 3) LTV (appraisal value basis) = Total interest-bearing liabilities ÷ (Total assets + Appraisal value of portfolio properties – Book value of portfolio properties)  
 (Note 4) LTV (book value basis) = Total interest-bearing liabilities ÷ Total assets

## Breakdown of Financing by Bank



Lender	Balance (million yen)	Share
A Mizuho Bank, Ltd.	15,600	17.1%
B Sumitomo Mitsui Trust Bank, Limited	11,800	13.0%
C Sumitomo Mitsui Banking Corporation	11,800	13.0%
D Development Bank of Japan Inc.	11,450	12.6%
E Aozora Bank, Ltd.	10,050	11.0%
F Resona Bank, Limited	7,500	8.2%
G Mitsubishi UFJ Trust and Banking Corporation	6,300	6.9%
H Shinkin Central Bank	4,200	4.6%
I The Senshu Ikeda Bank, Ltd.	3,050	3.3%
J The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500	2.7%
K The Nishi-Nippon City Bank, Ltd.	2,100	2.3%
L Mizuho Trust & Banking Co., Ltd.	1,300	1.4%
M The Hyakugo Bank, Ltd.	1,150	1.3%
N The Minato Bank, Ltd.	800	0.9%
O The Nanto Bank, Ltd.	500	0.5%
P The Hiroshima Bank, Ltd.	500	0.5%
Q Sony Bank Inc.	500	0.5%

## Diversification of Debt Maturities



## Borrowing of Total Amount of 18.0 Billion Yen (January 31, 2017)

A total amount of 18.0 billion yen was borrowed on January 31, 2017 to allocate to part of the funds and expenses for acquisition of "Sendai Capital Tower" and additional acquisition of "Shibuya Sakuragaoka Square," the acquisitions of which were announced ahead of the second capital increase through public offering.

Status of Loans Payable, Etc.	End of 21st Period	End of Jan. 2017	Change
Short-term loans payable	0	10,000	+10,000
Long-term loans payable	91,100	98,975	+7,875 (Note)
Total loans payable	91,100	108,975	+17,875
Investment corporation bonds	3,000	3,000	–
Total interest-bearing liabilities	94,100	111,975	+17,875

(Note) Including scheduled payment (125 million yen) repaid on January 31, 2017.

## Procured Approximately 10.0 Billion Yen from Second Capital Increase through Public Offering Since Change in Main Sponsor

## New Acquisition of 4 Properties for 31.3 Billion Yen and Disposition of 2 Properties for 10.7 Billion Yen Scheduled

We will strive to expand asset size steadily through new acquisitions and to enhance portfolio quality by replacing assets.

### New acquisition through exclusive negotiations

### Strategic asset replacement

Acquired on Feb. 1, 2017



Shibuya Sakuragaoka Square  
(additional acquisition of building + 60% quasi co-ownership interest of land with leasehold interest)

Location: Shibuya-ku, Tokyo  
Acquisition price: 12.13 billion yen  
Appraisal value: 13.00 billion yen  
Unrealized gain margin: +7.2%



Sendai Capital Tower

Location: Aoba-ku, Sendai-shi  
Acquisition price: 5.50 billion yen  
Appraisal value: 6.22 billion yen  
Unrealized gain margin: +13.1%

To be acquired on  
Mar. 22, 2017



Sasazuka Center Bldg.

Location: Shibuya-ku, Tokyo  
Acquisition price: 8.70 billion yen  
Appraisal value: 9.16 billion yen  
Unrealized gain margin: +5.3%

To be acquired on  
Apr. 6, 2017



USC Bldg.  
(approx. 46% quasi co-ownership interest)

Location: Koto-ku, Tokyo  
Acquisition price: 5.00 billion yen  
Appraisal value: 5.19 billion yen  
Unrealized gain margin: +3.8%

To be disposed on Mar. 27, 2017



Midosuji MID Bldg.

Location: Chuo-ku, Osaka-shi  
Planned disposition price: 9.00 billion yen  
Assumed book value: 8.34 billion yen  
Estimated difference: Approx. +0.65 billion yen

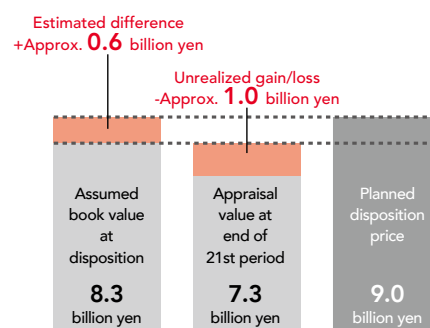


MID Midosujikawaramachi Bldg.

Location: Chuo-ku, Osaka-shi  
Planned disposition price: 1.70 billion yen  
Assumed book value: 1.90 billion yen  
Estimated difference: Approx. -0.20 billion yen

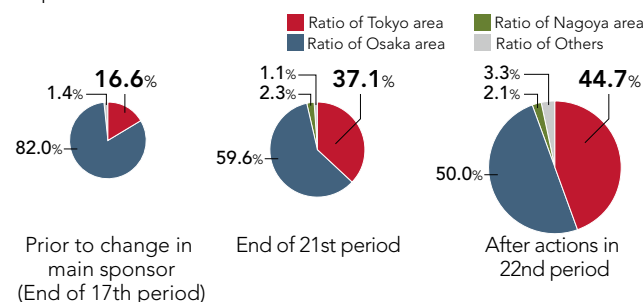
### Backdrop of Midosuji MID Bldg. Disposition

Having decided to dispose at a time seen as a good opportunity in that potential value as land for development in the future is rising, elimination of unrealized loss of approx. 1.0 billion yen and unrealized gain on disposition of approx. 0.6 billion yen is estimated.



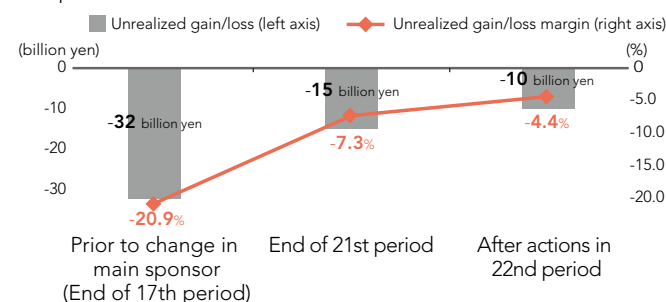
### Rise in Ratio of Investment in Tokyo Area

Ratio of portfolio assets in Tokyo area up 28.1% from prior to change in main sponsor.



### Improvement of Portfolio's Unrealized Gain/Loss (Margin)

Unrealized gain/loss margin improved to -4.4% from prior to change in main sponsor.



The following is the status of MCUBS MidCity's portfolio as of December 31, 2016 and after the actions in the 22nd fiscal period.

## Portfolio Overview

Investment Category	Investment Area (Note 1)	Property Name	Location	Acquisition Price (million yen)	Investment Ratio (%) (Note 2)	Acquisition Date	Leasable Space (m <sup>2</sup> ) (Note 3)	Occupancy Rate (%) (Note 4)
Office Properties	Three major metropolitan areas	Sumitomo Fudosan Ueno Bldg. No. 6	Taito-ku, Tokyo	7,460	3.1	May 2015	6,858.16	100.0
		G-Square Shibuya Dogenzaka	Shibuya-ku, Tokyo	12,220	5.1	Aug. 2015	5,013.55	83.4
		Shibuya Sakuragaoka Square (land with leasehold interest) (40% quasi co-ownership interest)	Shibuya-ku, Tokyo	5,000	2.1	Aug. 2015	1,200.08	100.0
		Yokohama Creation Square	Kanagawa-ku, Yokohama	7,080	3.0	Aug. 2015	12,739.42	94.2
		Cube Kawasaki	Kawasaki-ku, Kawasaki	20,050	8.4	Aug. 2015	24,462.29	91.1
		Higashi-Nihombashi Green Bldg.	Chuo-ku, Tokyo	2,705	1.1	Dec. 2015	3,256.64	100.0
		Twin 21 (Note 5)	Chuo-ku, Osaka	68,700	28.8	Aug. 2006	82,304.85	97.7
		Matsushita IMP Bldg.	Chuo-ku, Osaka	24,600	10.3	Aug. 2006	37,406.94	98.9
		Midosuji MID Bldg. (Note 6)	Chuo-ku, Osaka	8,290	—	Aug. 2006 and other	10,461.32	94.7
		MID REIT Kyobashi Bldg.	Miyakojima-ku, Osaka	2,300	1.0	Aug. 2006	4,833.88	100.0
		MID Imabashi Bldg.	Chuo-ku, Osaka	3,270	1.4	Apr. 2007	4,277.64	94.2
		MID Midosujikawaramachi Bldg. (Note 6)	Chuo-ku, Osaka	2,000	—	May 2007	3,110.49	100.0
		Kitahama MID Bldg.	Chuo-ku, Osaka	10,800	4.5	Apr. 2008	10,189.49	98.7
		MID Nishihommachi Bldg.	Nishi-ku, Osaka	3,550	1.5	Oct. 2008	3,877.38	93.7
		Higobashi MID Bldg.	Nishi-ku, Osaka	3,000	1.3	Jun. 2013	4,655.57	91.5
	Nagoya Lucent Tower (silent partnership interest) (Note 7)	Nishi-ku, Nagoya	4,919	2.1	Aug. 2015	—	—	
Subtotal (16 properties)			185,944			214,647.70	96.4	
Others	Three major metropolitan areas	AEON MALL Tsudanuma	Narashino-shi, Chiba	26,100	11.0	Aug. 2006	101,210.44	100.0
		Konami Sports Club Kyobashi	Miyakojima-ku, Osaka	2,780	1.2	Aug. 2006	9,586.26	100.0
	Others	Dormy Inn Hakata Gion	Hakata-ku, Fukuoka	2,280	1.0	Sep. 2013	5,554.91	100.0
	Subtotal (3 properties)			31,160			116,351.61	100.0
Total at end of Dec. 2016 (19 properties)				217,104			330,999.31	97.7
Office Properties	Three major metropolitan areas	Shibuya Sakuragaoka Square (additional acquisition of building + 60% quasi co-ownership interest of land with leasehold interest)	Shibuya-ku, Tokyo	12,130	5.1	Feb. 2017	6,379.66	100.0
		Others	Sendai Capital Tower	Aoba-ku, Sendai-shi	5,500	2.3	Feb. 2017	12,999.51
	Three major metropolitan areas	Sasazuka Center Bldg.	Shibuya-ku, Tokyo	8,700	3.7	Mar. 2017	8,221.34	100.0
	Three major metropolitan areas	USC Bldg. (approx. 46% quasi co-ownership interest)	Koto-ku, Tokyo	5,000	2.1	Apr. 2017	12,489.08	100.0
	Subtotal of newly-acquired properties (4 properties)			31,330			40,089.59	
Total after actions in 22nd fiscal period (20 properties) (At end of Dec. 2016 + Newly acquired properties – Disposed properties)				238,144	100.0		356,317.01	

(Note 1) "Three major metropolitan areas" under "Investment Area" indicates Tokyo area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya area (Aichi Prefecture), and "Others" under "Investment Area" indicates the government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas. The same shall apply hereinafter.

(Note 2) "Investment Ratio" indicates the ratio of the acquisition price of the applicable asset to the total amount of acquisition prices of "Total after actions in 22nd fiscal period (20 properties)" but excluding disposed properties.

(Note 3) "Leasable Space" refers to space (space of the rental units only, excluding storage, halls, parking and other space, but including shared or common space and parking space of Konami Sports Club Kyobashi and AEON MALL Tsudanuma, in which entire buildings are leased, as well as shared or common space of MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leasable as of December 31, 2016. For Shibuya Sakuragaoka Square (land with leasehold interest) (40% quasi co-ownership interest), the entire land space is indicated, while for Shibuya Sakuragaoka Square (building + 60% quasi co-ownership interest of land with leasehold interest), the property's entire leasable space is indicated, and only the property's entire leasable space is included in "Total after actions in 22nd fiscal period." For USC Bldg. (approx. 46% quasi co-ownership interest), the property's entire leasable space is indicated.

(Note 4) "Occupancy Rate" is presented as percentage figures, which are obtained by dividing the leased space as of December 31, 2016 by the leasable space.

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

(Note 6) Midosuji MID Bldg. and MID Midosujikawaramachi Bldg. are properties to be disposed.

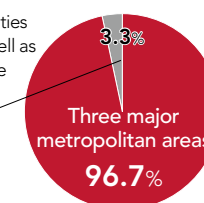
(Note 7) Nagoya Lucent Tower is silent partnership interest with R40 GK as the operator (Silent Partnership Interest B in R40 GK; equity interest: 40%), backed by the trust beneficiary interest for the 33.9% co-ownership interest (and 29.5% right of site) of the sectional ownership of Nagoya Lucent Tower 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)

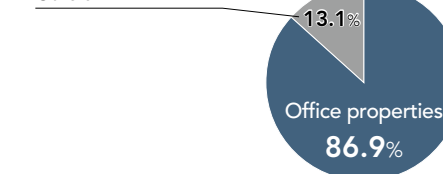
### By Area

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

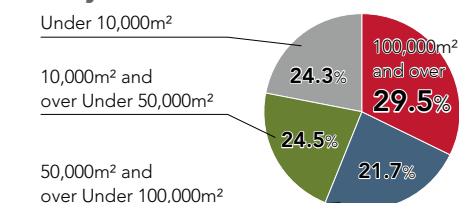


### By Asset Type

Others



### By Asset Size (Note 2) (Note 3)



(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) "By Asset Size" is classified using data for the total floor space of the buildings as recorded in land registers.

(Note 3) Excluding silent partnership interests.



## Tokyo area

**Sumitomo Fudosan Ueno Bldg. No. 6**  
Taito-ku, Tokyo



**G-Square Shibuya Dogenzaka**  
Shibuya-ku, Tokyo



**Shibuya Sakuragaoka Square**  
(existing: 40% quasi co-ownership interest of land with leasehold interest)  
Shibuya-ku, Tokyo



22nd fiscal period additional acquisition asset  
(building + 60% quasi co-ownership interest of land with leasehold interest)

**Higashi-Nihombashi Green Bldg.**  
Chuo-ku, Tokyo



**Yokohama Creation Square**  
Kanagawa-ku, Yokohama-shi



**Cube Kawasaki**  
Kawasaki-ku, Kawasaki-shi



**Sasazuka Center Bldg.**  
Shibuya-ku, Tokyo



22nd fiscal period acquisition asset

**USC Bldg.**  
(approx. 46% quasi co-ownership interest)  
Koto-ku, Tokyo



22nd fiscal period acquisition asset

**AEON MALL Tsudanuma**  
Narashino-shi, Chiba



## Nagoya area

**Nagoya Lucent Tower**  
(silent partnership interest)  
Nishi-ku, Nagoya-shi



## Osaka area

**Twin 21**  
Chuo-ku, Osaka



**Matsushita IMP Bldg.**  
Chuo-ku, Osaka



**Kitahama MID Bldg.**  
Chuo-ku, Osaka



**Higobashi MID Bldg.**  
Nishi-ku, Osaka



**MID REIT Kyobashi Bldg.**  
Miyakojima-ku, Osaka



**MID Imabashi Bldg.**  
Chuo-ku, Osaka



**MID Nishihommachi Bldg.**  
Nishi-ku, Osaka



**Konami Sports Club Kyobashi**  
Miyakojima-ku, Osaka



## Others

**Dormy Inn Hakata Gion**  
Hakata-ku, Fukuoka-shi

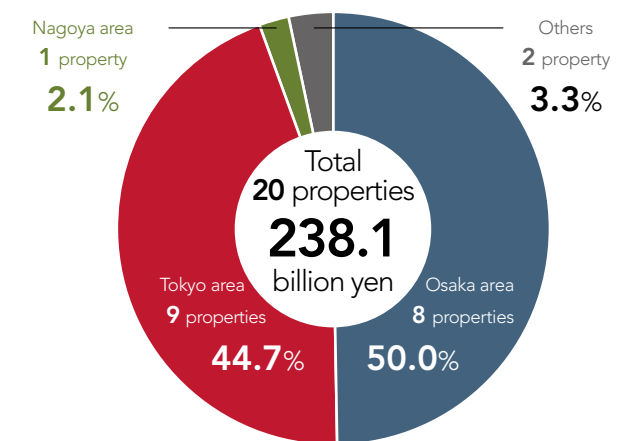


**Sendai Capital Tower**  
Aoba-ku, Sendai



22nd fiscal period acquisition asset

By Area ((planned) acquisition price basis)  
(As of April 6, 2017)



## Introduction of MCUBS MidCity

MCUBS MidCity Investment Corporation, whose asset management is performed by MCUBS MidCity Inc., is an investment corporation with investment focused on office properties.

Mitsubishi Corp. - UBS Realty Inc. is the major shareholder of MCUBS MidCity Inc. and 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 areas focused on  
“the three major metropolitan areas (Tokyo area, Osaka area and Nagoya area)”

■ Investment focused on “office properties”

■ Consider investing in overseas properties

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

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

Investment ratio **70% or more** 30% or less

**Type** (Note 2)

Office

Others (Note 3)

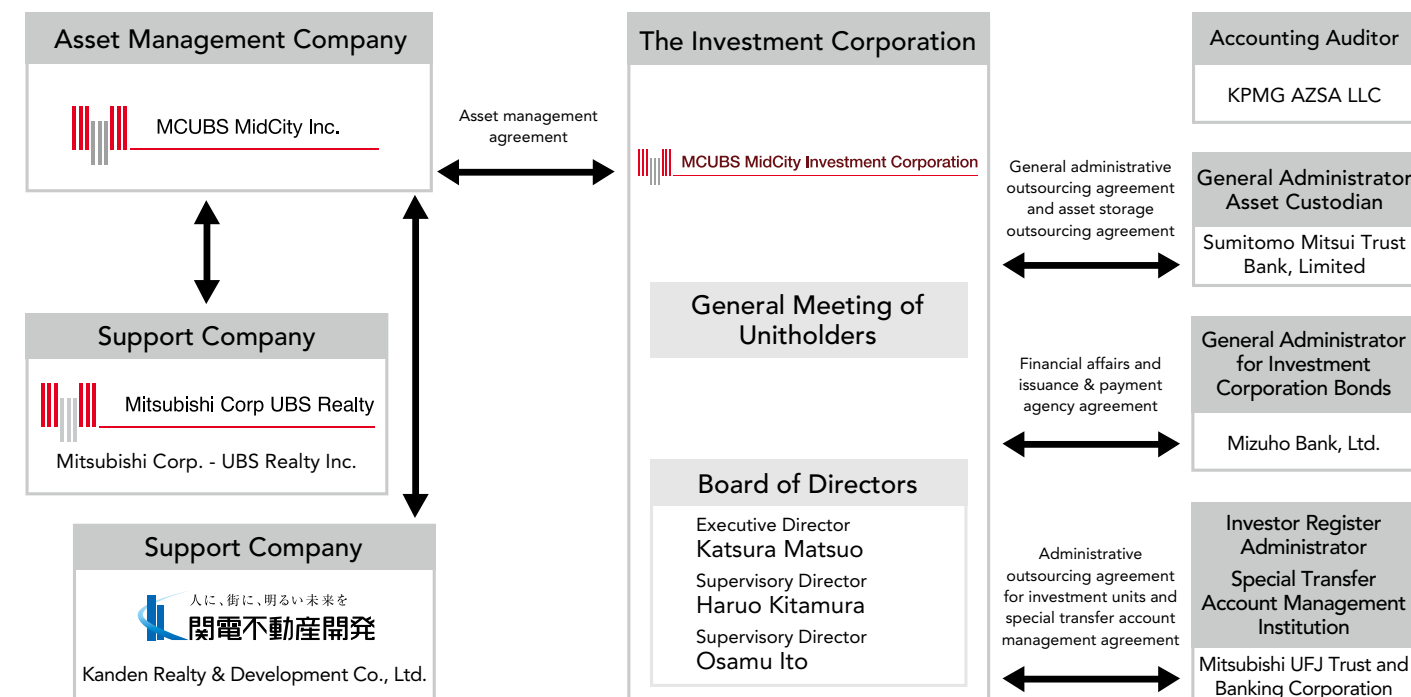
Investment ratio **70% or more** 30% or less

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

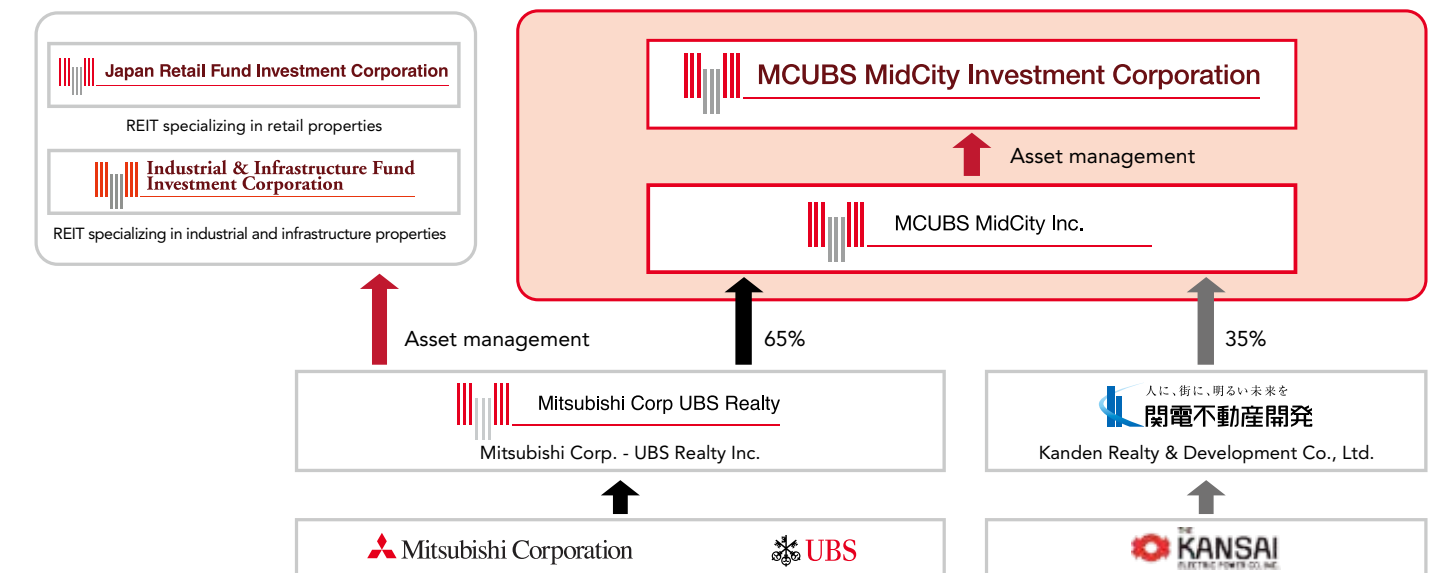
(Note 3) New investments shall be made in real estate primarily used as service apartments or hotels, and no new acquisition shall be made as to retail properties and industrial properties.

## Organization of MCUBS MidCity

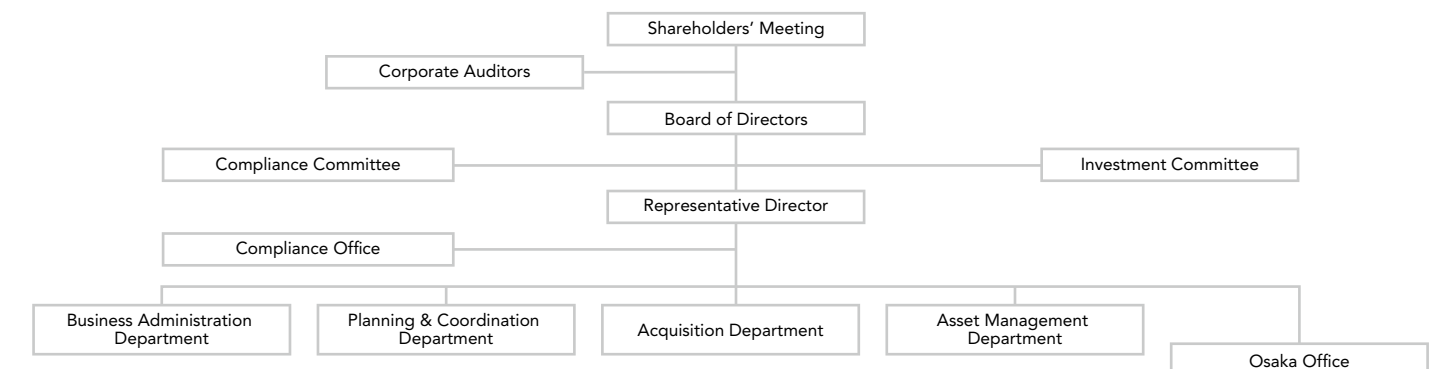


(Note) With reorganization of the real estate business of the Kansai Electric Power group, MID Urban Development Co., Ltd. underwent an absorption-type merger with Kanden Fudosan Co., Ltd. as the company surviving, MID Urban Development Co., Ltd. as the company being absorbed on April 1, 2016 as the effective date, and Kanden Fudosan Co., Ltd. changed 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 (as of March 1, 2017)



## 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% Kanden Realty & 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) (Note)
	October 2010: Updated real estate brokerage license (License Number: 2-51806, Osaka Governor)
	April 2015: The asset management company 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.



## MCUBS MidCity's Sustainability

MCUBS MidCity, together with its asset management company, MCUBS MidCity Inc., shares the sustainability objectives, and continues to embed sustainability into our business. MCUBS MidCity conducts its investment and operational activities in accordance with the "Responsible Property Investment Policy," a policy set out by the asset manager.

## Actions of MCUBS MidCity

### Communication

We will contribute further to create a sustainable society through communication with stakeholders and incorporating their views into asset management.

### Contribution to Society

We are working to strengthen and improve relationship with people in local communities through measures against disaster and other social contribution activities.

### Environment

We are environmentally conscious and work to reduce environmental burdens by implementing environmental/energy-saving measures and improving energy use at our real estate properties.

## Assignment with Environmental Certification and Assessment

### GRESB (Global Real Estate Sustainability Benchmark)

An organization established primarily by a group of major European pension funds with the aim to enhance unitholder value through applying consideration for the environment, society and governance to also real estate investment. We participated for the first time in the GRESB Real Estate Assessment 2016 and received the highest rating "Green Star." In addition, we received a four-star rating in the GRESB Rating, which is a five-star scale, comparative assessment based rating system newly adopted from this year's assessment.



### Building-Housing Energy-efficiency Labeling System (BELS) Certification

The Ministry of Land, Infrastructure, Transport and Tourism's public evaluation system for evaluating the energy conservation performance of non-residential buildings. The energy conservation performance evaluation result is represented by a number of stars (five-star scale from one star "★" to five stars "★★★★★"). We received our first BELS certification in December 2016 for Kitahama MID Bldg., G-Square Shibuya Dogenzaka and Higobashi MID Bldg.



### DBJ Green Building Certification

A system for Development Bank of Japan Inc. (DBJ) 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"). Twin 21, Matsushita IMP Bldg., Kitahama MID Bldg. and Higobashi MID Bldg. are certified as "properties with excellent environmental and social awareness" (obtained "three stars").



### CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Real Estate Certification

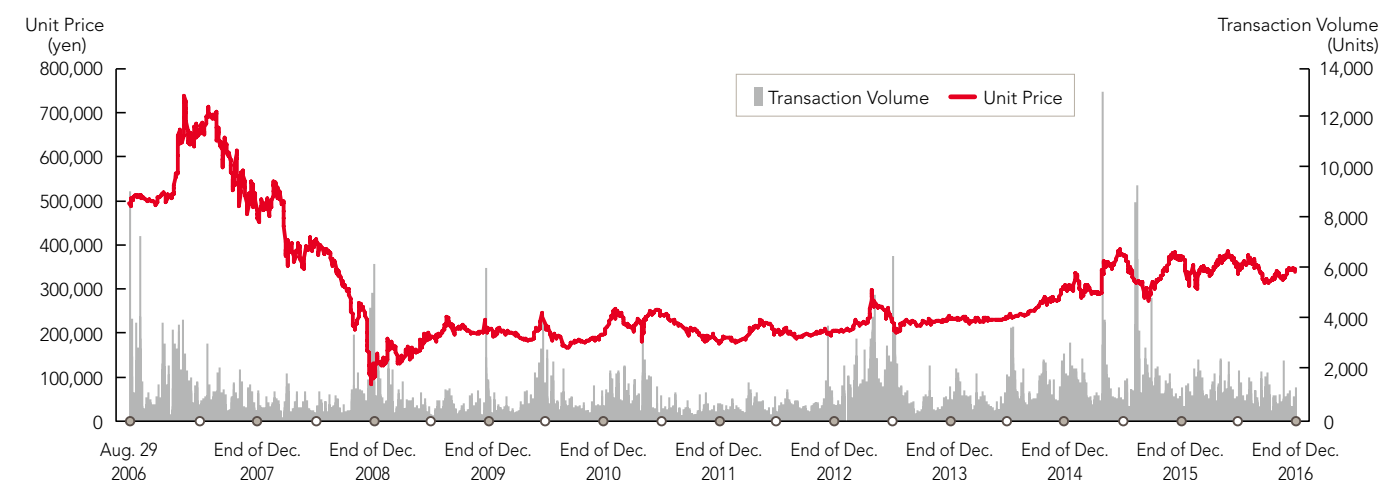
A tool for assessing and rating the environmental performance of buildings and built environment. It is a comprehensive assessment of not only consideration for the environment, such as use of energy-conserving and low-environmental-load resources and materials, but also consideration for the indoor and outdoor built environment and other built environment quality. G-Square Shibuya Dogenzaka and Higobashi MID Bldg. are ranked A for built environment efficiency. (Higobashi MID Bldg. is under the local government reporting system.)



Please refer to the website of MCUBS MidCity for more details regarding sustainability (<http://www.midcity-reit.com/en/sustainability>)

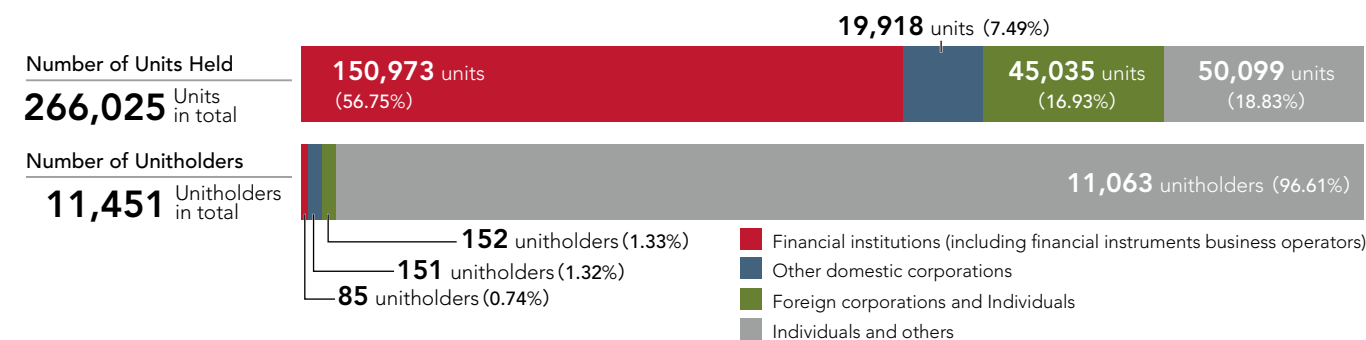
## Unit Price Performance

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, 2016.



## Breakdown of Unitholders

The following is the breakdown of MCUBS MidCity's unitholders as of December 31, 2016.



## Website of MCUBS MidCity Investment Corporation <http://www.midcity-reit.com/en/>

The website of MCUBS MidCity Investment Corporation offers a service to be informed of the latest IR information via e-mail.

In addition, the website is designed to enhance convenience in obtaining the necessary information and also enrich content sought by investors.



## Assessment and Certification from External Organizations



Daiwa Investor Relations Co. Ltd.'s  
"Internet IR Commendation Award 2016"  
(among 3,698 listed companies)  
Commendation Award (65th place overall)



Nikko Investor Relations Co., Ltd.'s  
"2016 Website Quality Ranking Survey among  
All Listed Companies in Japan"  
(among 3,688 listed companies)

Grade AA (156th place overall)  
Grade AA (5th place REIT)