

Translation

MCUBS MIDCITY INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

February 14, 2017

Name of issuer: MUCBS MidCity Investment Corporation
("the Investment Corporation")
Stock exchange listing: Tokyo Stock Exchange
Securities code: 3227
Website: <http://www.midcity-reit.com/>
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
Contact: Naoki Suzuki, Deputy President & Representative Director
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Scheduled date for filing of securities report: March 29, 2017
Scheduled date for distributions payment: March 17, 2017
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, 2016 (July 1, 2016 to December 31, 2016)

(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, 2016	7,005	2.7	2,551	3.6	1,977	4.7	1,976	4.7
June 30, 2016	6,824	3.7	2,462	(1.8)	1,889	(2.5)	1,888	(2.5)

	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, 2016	7,431	1.7	0.9	28.2
June 30, 2016	7,100	1.6	0.8	27.7

(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		
	Yen	Millions of yen	Yen	Millions of yen	%	%
For the six months ended December 31, 2016	7,431	1,976	0	0	100.0	1.7
June 30, 2016	7,100	1,888	0	0	100.0	1.6

Note: Payout ratio for the six months ended December 31, 2015 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, 2016	225,916	117,220	51.9	440,635
June 30, 2016	227,686	117,131	51.4	440,304

(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, 2016	3,007	(737)	(3,512)	11,207
June 30, 2016	3,853	(511)	(591)	12,448

2. Outlook for the six months ending June 30, 2017 (January 1, 2017 to June 30, 2017) and December 31, 2017 (July 1, 2017 to December 31, 2017)

(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, 2017	8,054	15.0	3,176	24.5	2,590	31.0	2,589	31.0
December 31, 2017	7,545	(6.3)	2,974	(6.4)	2,374	(8.3)	2,373	(8.4)

	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, 2017	8,729		7,900		0	
December 31, 2017	8,000		8,000		0	

Note: For the six months ending June 30, 2017, distributions per unit differ from net income per unit because the Investment Corporation will reserve ¥246 million from distributable profit.

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 investment units issued

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

As of December 31, 2016 266,025 units

As of June 30, 2016 266,025 units

Number of treasury investment units at end of period:

As of December 31, 2016 0 unit

As of June 30, 2016 0 unit

Note: For the number of investment unit as a basis of calculation of net income per unit, please refer to per unit information on page 26.

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, (b) Outlook of business” on page 9.

1. Summary of related corporations of the Investment Corporation

Disclosure is omitted as there are no significant changes from the “Structure of the investment corporation” presented in the most recent yuka shoken hokokusho (securities report) (submitted on September 28, 2016).

2. Management policy and results of operation

(1) Management policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Target” and “Distribution Policy” presented in the most recent yuka shoken hokokusho (securities report) (submitted on September 28, 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, both net income and distribution per unit increased from the previous fiscal period contributed by various operating expenses reduction effects in addition to the increase of operating revenue caused by the rent from new tenants, etc.

As of the end of the fiscal period under review (21st fiscal period: July 1, 2016 to December 31, 2016), the portfolio of MCUBS MidCity comprised of 19 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting to ¥217,104 million.

MCUBS MidCity conducts asset management under the portfolio building policy of focusing on office properties and investments in the three major metropolitan areas, which are the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture) (the same shall apply hereinafter).

(b) Investment environment and management performance

(i) Investment environment

In the 21st fiscal period, the Japanese economy continued to recover moderately as the preliminary figures of the GDP for the July to September 2016 period remained positive for three consecutive quarters against the backdrop of growing exports and steady residential investment. Although there are uncertain factors such as the policy of the new U.S. President, Brexit, and the elections scheduled to be conducted at European countries this year, the global economy is generally strong centering on the U.S. and the Japanese economy is expected to continue to be generally brisk, backed by the steady employment situation, recovery in real wages, etc.

In the real estate investment market, the real estate transaction amount is considered to have slightly decreased compared to the previous year, but the transaction price continues to be on an upward trend. According to the Ministry of Land, Infrastructure, Transport and Tourism’s Land Value LOOK Report for the third quarter (July 1 to October 1) of 2016, the land price of intensively used land of major cities in Japan increased in 82 of the 100 districts, remained flat in 18 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, as office demand is increasing against the backdrop of active corporate activities, the improvement of vacancy rate and the increase of rent level are continuing. Demand for office floors is expected to remain solid against the backdrop of steady corporate performance.

The J-REIT market remained rather weak from the beginning of the 21st fiscal period at TSE REIT index 1,849 points but turned to a recovery trend again after the election of the U.S. President and was at 1,855 points at the end of the fiscal period about the same level as the beginning. The J-REIT market is expected to remain strong against the backdrop of relatively stable Japanese politics and economy. In addition, the interest rate is still at a low level but close attention will be paid to its change as it is on a slight upward trend after bottoming out in the summer of 2016.

(ii) Asset management performance

<Investment performance>

During the 21st fiscal period, MCUBS MidCity did not acquire or sell any properties, etc.

As a result, MCUBS MidCity's portfolio as of the end of the 21st 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 has strived to maintain and enhance occupancy rates and rents by closely working together with sponsor companies, property management companies and office leasing brokers, creating tenant attraction plans for each property that match the respective location and characteristics and promoting the heightening of tenant satisfaction levels in seeking to attract new tenants and making its relationship of trust with existing tenants even stronger.

In the 21st fiscal period, in an environment showing recovery in office demand continuing on from the previous fiscal period, there were active tenant movements for reasons of integration of offices and improvement of location. Despite some tenant exits, with aggressive attraction of new tenants such as by making proposals to meet the tenant needs and capturing the needs of existing tenants for more space within the same building, a high occupancy rate of 97.7% was maintained at the end of the fiscal period. In addition, MCUBS MidCity was able to increase the average investment unit price of contracted rent for the portfolio partly due to the rent revision on which MCUBS MidCity is focusing.

Furthermore, at the Osaka Business Park (hereafter, "OBP") PR activities 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. MCUBS MidCity has moved forward with revitalization of retail zones at Twin 21 and Matsushita IMP Bldg. in line with the reconstruction and new construction of office buildings in OBP.

(c) Overview of fund procurement

A. Issuance of new investment units

During the 21st fiscal period, MCUBS MidCity has made no fund procurement through additional issuance of new investment units. The total number of investment units issued 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 21st fiscal period, MCUBS MidCity borrowed a total of ¥18,400 million from banks on July 29, 2016 and refinanced borrowings totaling ¥19,900 million which was due on July 29, 2016 by also using a part of the funds procured through the issuance of unsecured investment corporation bonds in May 2016. Backed by the lowered interest rates after the introduction of negative interest rates by the Bank of Japan and changes in the financial market environment, MCUBS MidCity has realized reduction of financial costs while further diversifying maturity dates, extending borrowing periods and fixing interest rates. In addition, MCUBS MidCity established its first commitment line at ¥15 billion (contract period of 3 years, execution period of 3 years) on August 18, 2016 and largely enhanced financial stability by securing a method to respond to unforeseen market environment.

As of the end of the 21st fiscal period, MCUBS MidCity had a balance of borrowings from 17 financial institutions in the amount of ¥91,100 million and had a balance of investment corporation bonds in the amount of ¥3,000 million. The ratio of interest-bearing liabilities to total assets stands at 41.7%, 100.0% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 74.8% of loans payable are applied fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

A change in MCUBS MidCity's rating (upgrade) was announced by Rating and Investment Information, Inc. (R&I) on October 26, 2016. The following is the status of MCUBS MidCity's issuer ratings as of the end of the 21st fiscal period.

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

(d) Overview of business performance and distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of ¥7,005 million, operating income of ¥2,551 million, ordinary income of ¥1,997 million and net income of ¥1,976 million in its performance for the 21st 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 ¥7,431.

(3) Outlook of next fiscal period

(a) Future asset management policy and challenges to address

(i) Internal growth strategy

In the Osaka metropolitan area's office leasing market trend, where more than half of MCUBS MidCity's portfolio assets are located, decrease in new supply while office demand remained strong leads to continuous improvement in vacancy rates. As a result, improvement in new-contract lease terms and conditions are seen and the market rent is turning to a moderate recovery trend.

In the Tokyo metropolitan area's office leasing market, the vacancy rate continues to improve even when there are new supplies. Although a large amount of new supply is expected in the future, vacancy rate is likely to remain stable at a low level to a certain degree going forward, and a rising trend is expected to continue not only in new-contract rent but also in ongoing-contract rent.

Under such circumstances, in view of maintaining and enhancing revenue for 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 to maintain and improve rent revenue and occupancy rates through initiatives for attracting new tenants.

<Strategy on existing tenants to maintain high occupancy rates>

As an initiative for capturing the needs and heightening the satisfaction levels of existing tenants, the Asset Management Company has been conducting surveys of tenant satisfaction levels on the tenants of multi-tenant buildings in MCUBS MidCity's portfolio since the first fiscal period. Based on the results of the surveys, it will instruct property management companies and building management companies, as well as consider and carry out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs. It will maintain such initiatives to listen to the "voice of office workers," aiming to enhance satisfaction levels of existing tenants and the value of portfolio assets.

<Strategy on leasing to attract new tenants>

As for assets that have relatively large vacant space and scheduled vacant space among MCUBS MidCity's portfolio assets, aggressive efforts will be continuously 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 having Mitsubishi Corp.- UBS Realty group and the Kanden Realty & Development group as its sponsors, 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 facilitate 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 the tenant satisfaction survey results, matters pointed out and requested by tenants, etc.

<Address energy saving and CO₂ reduction>

MCUBS MidCity shares the view on sustainability with the Asset Management Company that strives to respond to the environment and social responsibility based on the "Environment Charter" and "Basic Policy on Responsible Real Estate Investment," implements environmental and energy saving measures, streamlines energy use, and appropriately responds to environmental consideration and reduction of environmental burden.

In addition, MCUBS MidCity is proactively making efforts in external evaluation and certification systems concerning the environment, and was designated by the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment in 2016 as "Green Star," the highest ranking for the first time participation. Also, MCUBS MidCity newly obtained Building Housing Energy-efficiency

Labeling System (BELS) certification established by the Ministry of Land, Infrastructure, Transport and Tourism in addition to DBJ Green Building certified by the Development Bank of Japan (DBJ) and CASBEE certification for some of its portfolio assets.

(ii) External growth strategy

MCUBS MidCity strives to improve the risk-return profile of its portfolio via acquiring assets under management in view of mitigating risks of fluctuations in revenue with the effects of diversifying its portfolio of assets under management, etc. 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 properties in the three major metropolitan areas. In addition, from the standpoint of securing more opportunities for property acquisition and diversified investment, 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, outside of 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 securing more opportunities for property acquisition and diversified investment, 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 maturity dates for interest-bearing liabilities and 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) Outlook of business

(i) Issuance of new investment units

Issuance of new investment units has been resolved as follows at MCUBS MidCity's board of directors' meeting held on February 14, 2017. Issuance price per unit is scheduled to be decided at the board of directors' meeting to be held in late February 2017.

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

Number of new investment units: 29,100 units

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

Number of new investment units: 1,500 units

Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

There may be cases which the entire or part of the investment units to be issued through third party allotment will not be subscribed and the final number of investment units with respect to the third part allotment will decrease or the issuance itself will not be implemented due to the loss of right.

<Use of proceeds>

The funds procured through the public offering conducted this time will be used for part of the funds for the acquisition of new specified assets. The funds procured through third part allotment will be kept as

cash on hand and be used for future acquisition of specified assets.

For details, please refer to the “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated February 14, 2017.

(ii) Financial outlook

The following is MCUBS MidCity’s business outlook for the fiscal period ending June 30, 2017 (January 1, 2017 to June 30, 2017) based on capital increase through public offering announced on February 14, 2017 as disclosed in the “Notice Regarding Revision of Business Outlook and Distributions Forecast for the 22nd Period Ending June 30, 2017 and Notice Regarding Business Outlook and Distributions Forecast for the 23rd Period Ending December 31, 2017” released on the same day. For the assumptions underlying the forecast of business, please refer to the “Assumptions regarding business outlook for the 22nd fiscal period (January 1, 2017 to June 30, 2017) and the 23rd fiscal period (July 1, 2017 to December 31, 2017)” below.

Operating revenue	¥8,054 million
Operating income	¥3,176 million
Ordinary income	¥2,590 million
Net income	¥2,589 million
Distribution per unit	¥7,900
Distribution in excess of earnings per unit	¥0

In addition, assuming that the “Assumptions regarding business outlook for the 22nd fiscal period (January 1, 2017 to June 30, 2017) and the 23rd fiscal period (July 1, 2017 to December 31, 2017)” remain unchanged, MCUBS MidCity expects the following business outlook for its 23rd Fiscal Period (July 1, 2017 to December 31, 2017).

Operating revenue	¥7,545 million
Operating income	¥2,974 million
Ordinary income	¥2,374 million
Net income	¥2,373 million
Distribution per unit	¥8,000
Distribution in excess of earnings per unit	¥0

[Note] The business outlook 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 outlook
for the 22nd fiscal period (January 1, 2017 to June 30, 2017) and the
23rd fiscal period (July 1, 2017 to December 31, 2017)

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 may 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 issuance of additional investment units.• Of the gains on sales of real estate properties (difference between planned disposition price and assumed book value - assumed disposition cost) of approximately ¥626 million from the disposition of Midosuji MID Bldg. as stated in the column “Operating revenue” above, it is assumed that ¥246 million will be recognized as voluntary reserves within the limits stipulated in Article 67-15 and 65-7 of Act on Special Measures Concerning Taxation and the remainder will be distributed. Actual voluntary reserves are subject to change.								
Other	<ul style="list-style-type: none">• It is assumed no changes will be made to laws, tax systems, accounting standards, listing regulations, rules of the Investment Trusts Association, Japan, etc. affecting the aforementioned forecasts.• It is assumed that there will be no major and unforeseen changes in general economic trends and real estate market conditions, etc.								
Assets under management	<ul style="list-style-type: none">• It is assumed that the following four properties are acquired (the “Assets (to be) Acquired”) and two properties are disposed (the “Assets to be Disposed”), in addition to the 19 properties (including silent partnership interests) held by MCUBS MidCity as of December 31, 2016. With regard to all the Assets (to be) Acquired and the Assets to be Disposed, except for MID Midosujikawaramachi Bldg. with regard to which a basic agreement with buyer is executed, a sale and purchase agreement or a status transfer agreement which specifies that a status of a purchaser shall be taken over from a domestic company which entered into a sale and purchase agreement with a seller is executed. When to acquire or dispose of each property is as follows: <Assets (to be) Acquired><table><tr><td>Acquired on February 1, 2017</td><td>To be Acquired on March 22, 2017</td><td>To be Acquired on April 6, 2017</td></tr><tr><td>Sendai Capital Tower Shibuya Sakuragaoka Square (additional acquisition)</td><td>Sasazuka Center Bldg.</td><td>USC Bldg.</td></tr></table> <Assets to be Disposed><table><tr><td>To be Disposed on March 27, 2017</td></tr><tr><td>Midosuji MID Bldg. MID Midosujikawaramachi Bldg.</td></tr></table>• It is assumed that there will be no changes (new property acquisition and sale of existing property, etc.) in MCUBS MidCity’s assets under management until December 31, 2017, after the acquisition of the Assets (to be) Acquired and the disposition of the Assets to be Disposed.• The actual assets under management may vary due to changes in the property portfolio and other factors.	Acquired on February 1, 2017	To be Acquired on March 22, 2017	To be Acquired on April 6, 2017	Sendai Capital Tower Shibuya Sakuragaoka Square (additional acquisition)	Sasazuka Center Bldg.	USC Bldg.	To be Disposed on March 27, 2017	Midosuji MID Bldg. MID Midosujikawaramachi Bldg.
Acquired on February 1, 2017	To be Acquired on March 22, 2017	To be Acquired on April 6, 2017							
Sendai Capital Tower Shibuya Sakuragaoka Square (additional acquisition)	Sasazuka Center Bldg.	USC Bldg.							
To be Disposed on March 27, 2017									
Midosuji MID Bldg. MID Midosujikawaramachi Bldg.									
Operating revenue	<ul style="list-style-type: none">• Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as of February 14, 2017, with due consideration of several factors such as the market environment, characteristics and market competitiveness of individual properties, and 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 a forecast of occupancy of real estate which backs cash flows.• As stated in the column “Assets under management” above, it is estimated that gains on sales								

	of real estate properties (difference between planned disposition price and assumed book value - assumed disposition cost) of approximately 626 million yen will be generated upon disposition of Midosuji MID Bldg. on March 27, 2017
Operating expenses	<ul style="list-style-type: none"> • Of the expenses related to the 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 of ¥852 million and ¥847 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively. • Utilities expenses of ¥627 million and ¥709 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively. • Fixed asset taxes, city planning taxes and depreciable assets taxes (“fixed asset taxes, etc.”)Property taxes, etc. of ¥645 million and ¥596 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively. Settlement money for those taxes for the Asset (to be) Acquired stated in the column “Assets under management” above will not be recorded as expenses for the 22nd fiscal period and the 23rd fiscal period because it will be included in the acquisition cost of such properties and those taxes will be recorded from the following year of the acquisition. Thus, the fixed asset taxes, etc. on the anticipated properties will be expensed starting from the 24th period. • The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. Building repair expenses of ¥392 million and ¥246 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively. 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. ¥1,299 million and ¥1,273 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively. • As stated in the column “Assets under management” above, it is estimated that losses on sales of real estate properties (difference between planned disposition price and assumed book value - assumed disposition cost) of approximately 213 million yen will be generated upon disposition of MID Midosujikawaramachi Bldg. on March 27, 2017.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses of ¥419 million and ¥422 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively. • Borrowing-related expenses of ¥140 million and ¥146 million are expected for the 22nd fiscal period and for the 23rd fiscal period, respectively.
Interest-bearing liabilities	<ul style="list-style-type: none"> • It is assumed that the balance of interest-bearing liabilities outstanding will be ¥104,975 million and ¥104,975 million as of the end of the 22nd fiscal period and as of the end of the 23rd fiscal period, respectively. • The scheduled repayment of ¥125 million was made with cash reserves on January 31, 2017 and the short-term borrowings of ¥10,000 million and the long-term borrowings of ¥8,000 million were conducted on the same day for the purpose of acquiring of Sendai Capital Tower and Shibuya Sakuragaoka Square (additional acquisition), constituting a part of the Assets (to be) Acquired as stated in the column “Assets under management” above. It is also assumed that ¥7,000 million of such short-term borrowings out of ¥10,000 million are to be repaid at the end of March 2017. • It is assumed that the borrowings of ¥13,675 million that will become due during the 23rd fiscal period (on July 31, 2017) are to be refinanced.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> • It is assumed that all of the investment units consisting of 29,100 new investment units, to be issued through the public offering, and maximum 1,500 new investment units, to be issued through a third-party allotment accompanying the secondary offering (over-allotment), total of 30,600 units, which were resolved at the meeting of the board of directors held on February 14, 2017, are issued, in addition to 266,025 investment units issued and outstanding as of December 31, 2016, and that no additional new investment units are issued by the end of the 23rd fiscal period.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • It is assumed that there will be no cash distributions in excess of earnings (distribution in excess of earnings per unit).

The details of the assets acquired or to be acquired in the 22nd fiscal period are as follows.

Name of property	Location	Investment category	(Planned) Acquisition price (Millions of yen) (Note 1)	(Planned) Acquisition date
Acquired Assets				
Shibuya Sakuragaoka Square (Additional acquisition) (Note 2)	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Office building	12,130	February 1, 2017
Sendai Capital Tower	4-10-3, Chuo, Aoba-ku, Sendai-shi, Miyagi	Office building	5,500	February 1, 2017
Assets to be Acquired				
Sasazuka Center Bldg.	2-1-6, Sasazuka, Shibuya-ku, Tokyo	Office building	8,700	March 22, 2017
USC Bldg.(Note 3)	4-11-38, Toyo, Koto-ku, Tokyo	Office building	5,000	April 6, 2017
Total			31,330	

(Note 1) “(Planned) Acquisition price” indicates the sale price (excluding acquisition expenses, property taxes, city planning taxes, consumption taxes, etc.) of each asset to be acquired stated in the trust beneficiary interest transfer agreement.

(Note 2) MCUBS MidCity additionally acquired quasi co-ownership of trust beneficiary interest in the land of the property as entrusted property (ownership ratio: 60%) as well as trust beneficiary interest in the building of the property as entrusted asset and has acquired all trust beneficiary interests in the land and building of the property as entrusted asset including quasi co-ownership of trust beneficiary interest in the land of the property as entrusted asset (ownership ratio: 40%) acquired before the additional acquisition.

(Note 3) MCUBS MidCity is scheduled to acquire quasi co-ownership of trust beneficiary interest in the building and land of the property as entrusted property (equity interest: 50/108).

The details of the assets to be disposed in the 22nd fiscal period are as follows.

Name of property	Location	Investment category	Planned disposition price (Millions of yen) (Note 1)	Planned disposition date
Midosuji MID Bldg.	4-3-2, Minamisenba, Chuo-ku, Osaka-shi, Osaka	Office building	9,000	March 27, 2017
MID Midosujikawaramachi Bldg.	4-3-7 Kawaramachi, Chuo-ku, Osaka-shi, Osaka	Office building	1,700	March 27, 2017
Total			10,700	

(Note 1) “Planned disposition price” indicates the sale price (excluding property taxes, settlement of city planning taxes, consumption taxes, etc.) of each asset to be disposed stated in the trust beneficiary interest transfer agreement or the basic agreement.

For details of acquisition and disposition of properties, please refer to the “Notice Regarding Acquisition of Trust Beneficiary Interest in Domestic Real Estate (Sendai Capital Tower)” announced on December 20, 2016, “Notice Regarding Acquisition and Disposition of Trust Beneficiary Interest in Domestic Real Estate (Acquisition of Shibuya Sakuragaoka Square and Disposition of Midosuji MID Bldg.)” announced on January 12, 2017 and “Notice Regarding Acquisition and Disposition of Trust Beneficiary Interest in Domestic Real Estate (Acquisition of Two Office Buildings and Disposition of One Office Building)” announced on February 14, 2017.

3. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
ASSETS		
Current assets:		
Cash and bank deposits	7,526,363	6,562,889
Cash and bank deposits in trust	8,121,692	7,867,449
Rental receivables	171,147	152,962
Income taxes receivable	25,156	21,207
Prepaid expenses	36,411	45,574
Deferred tax assets	14	15
Other	—	7,417
Total current assets	15,880,785	14,657,517
Noncurrent assets:		
Property, plant and equipment:		
Buildings in trust, at cost (Note 1)	73,232,515	73,954,970
Less: Accumulated depreciation	(19,378,133)	(20,640,675)
Buildings in trust, net	53,854,382	53,314,295
Structures in trust, at cost	119,205	119,205
Less: Accumulated depreciation	(26,244)	(28,260)
Structures in trust, net	92,960	90,945
Machinery and equipment in trust, at cost	7,916	7,916
Less: Accumulated depreciation	(2,047)	(2,375)
Machinery and equipment in trust, net	5,869	5,541
Tools, furniture and fixtures in trust, at cost	558,806	567,171
Less: Accumulated depreciation	(380,829)	(403,798)
Tools, furniture and fixtures in trust, net	177,977	163,372
Land in trust	151,954,124	151,954,124
Construction in progress in trust	4,298	4,298
Total net property, plant and equipment	206,089,612	205,532,578
Intangible assets:		
Software	4,655	4,182
Trademark right	288	224
Total intangible assets	4,944	4,406
Investments and other assets:		
Investment securities	5,085,027	5,085,027
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	525,731	554,128
Total investments and other assets	5,620,758	5,649,156
Total noncurrent assets	211,715,315	211,186,141
Deferred assets:		
Investment corporation bonds issuance costs	31,190	28,900
Investment unit issuance costs	58,890	44,323
Total deferred assets	90,080	73,223
TOTAL ASSETS	227,686,181	225,916,881

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

(Thousands of yen)

	As of	
	June 30, 2016	December 31, 2016
LIABILITIES		
Current liabilities:		
Operating accounts payable	447,356	392,099
Current portion of long-term loans payable	20,150,000	13,800,000
Accounts payable – other	879,486	930,239
Accrued expenses	140,647	124,458
Distribution payable	8,343	9,547
Consumption taxes payable	283,571	39,956
Advances received	986,615	986,557
Other	469,220	621,955
Total current liabilities	23,365,240	16,904,815
Noncurrent liabilities:		
Investment corporation bonds – unsecured	3,000,000	3,000,000
Long-term loans payable	72,575,000	77,300,000
Tenant leasehold and security deposits	8,411,330	8,245,717
Tenant leasehold and security deposits in trust	3,202,707	3,246,312
Total noncurrent liabilities	87,189,038	91,792,030
TOTAL LIABILITIES	110,554,279	108,696,845
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	115,243,069	115,243,069
Surplus:		
Retained earnings	1,888,832	1,976,966
Total surplus	1,888,832	1,976,966
Total unitholders' equity	117,131,902	117,220,036
TOTAL NET ASSETS (Note 2)	117,131,902	117,220,036
TOTAL LIABILITIES AND NET ASSETS	227,686,181	225,916,881

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, 2016	December 31, 2016
Operating revenue		
Rent revenue—real estate (Note 3)	6,229,038	6,388,006
Other rental business revenue (Note 3)	468,390	509,180
Dividends income	126,698	108,319
Total operating revenue	6,824,128	7,005,506
Operating expenses		
Expenses related to rental business	3,646,498	3,780,925
Asset management fees	551,658	559,474
Asset custody fee	10,834	5,556
Administrative service fees	54,264	32,025
Directors' compensations	5,700	5,700
Other	92,202	70,010
Total operating expenses	4,361,157	4,453,693
Operating income	2,462,970	2,551,813
Non-operating income		
Interest income	1,264	78
Reversal of distribution payable	881	279
Interest on refund	282	17
Total non-operating income	2,428	375
Non-operating expenses		
Interest expenses	438,576	394,632
Interest expenses on investment corporation bonds	1,843	8,624
Borrowing related expenses	118,551	152,875
Amortization of investment corporation bonds issuance costs	763	2,290
Amortization of investment unit issuance costs	14,566	14,566
Other	1,379	1,364
Total non-operating expenses	575,681	574,355
Ordinary income	1,889,716	1,977,833
Extraordinary income		
Subsidy income	7,279	—
Total extraordinary income	7,279	—
Extraordinary losses		
Reduction entry of property	7,279	—
Total extraordinary losses	7,279	—
Income before income taxes	1,889,716	1,977,833
Income taxes		
Current	908	923
Deferred	(0)	(0)
Total income taxes	908	922
Net income	1,888,808	1,976,910
Retained earnings brought forward	24	55
Unappropriated retained earnings	1,888,832	1,976,966

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, 2016

For the six months ended June 30, 2016

	Unitholders' equity				
	Unitholders' capital (Note 2)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
Balance as of January 1, 2016	115,243,069	1,936,952	1,936,952	117,180,022	117,180,022
Changes during the period					
Dividends from surplus	—	(1,936,928)	(1,936,928)	(1,936,928)	(1,936,928)
Net income	—	1,888,808	1,888,808	1,888,808	1,888,808
Total changes during the period	—	(48,119)	(48,119)	(48,119)	(48,119)
Balance as of June 30, 2016	115,243,069	1,888,832	1,888,832	117,131,902	117,131,902

For the six months ended December 31, 2016

For the six months ended December 31, 2016					
	Unitholders' equity				
		Surplus		Total	
	Unitholders' capital (Note 2)	Retained earnings	Total surplus	unitholders' equity	Total net assets
Balance as of July 1, 2016	115,243,069	1,888,832	1,888,832	117,131,902	117,131,902
Changes during the period					
Dividends from surplus	—	(1,888,777)	(1,888,777)	(1,888,777)	(1,888,777)
Net income	—	1,976,910	1,976,910	1,976,910	1,976,910
Total changes during the period	—	88,133	88,133	88,133	88,133
Balance as of December 31, 2016	115,243,069	1,976,966	1,976,966	117,220,036	117,220,036

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, 2016	December 31, 2016
Unappropriated retained earnings	1,888,832,945	1,976,966,422
Cash distribution declared	1,888,777,500	1,976,831,775
(Cash distribution declared per unit)	(7,100)	(7,431)
Retained earnings carried forward	55,445	134,647

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, 2016 and December 31, 2016 were ¥1,888,777,500 and ¥1,976,831,775, 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 4.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	June 30, 2016	December 31, 2016
Net cash provided by (used in) operating activities:		
Income before income taxes	1,889,716	1,977,833
Depreciation and amortization	1,281,377	1,288,489
Amortization of long-term prepaid expenses	109,039	100,943
Amortization of investment unit issuance costs	14,566	14,566
Amortization of investment corporation bonds issuance costs	763	2,290
Interest income	(1,264)	(78)
Interest expenses	438,576	394,632
Subsidy income	(7,279)	—
Loss on disposal of property	—	1,824
Reduction entry of property	7,279	—
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(9,099)	18,184
Decrease in consumption taxes refundable	246,345	—
Increase (decrease) in consumption taxes payable	283,571	(243,614)
Increase (decrease) in operating accounts payable	81,716	(55,257)
Increase (decrease) in advances received	35,144	(57)
Decrease (increase) in prepaid expenses	6,285	(9,162)
Payments of long-term prepaid expenses	(18,144)	(129,340)
Other, net	(82,686)	54,414
Subtotal	4,275,912	3,415,668
Interest income received	1,264	78
Interest expenses paid	(441,070)	(410,821)
Income taxes refund	17,527	3,043
Net cash provided by operating activities	3,853,632	3,007,968
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment in trust	(471,780)	(720,634)
Proceeds from tenant leasehold and security deposits	326,787	209,795
Proceeds from tenant leasehold and security deposits in trust	203,961	285,525
Payments of tenant leasehold and security deposits	(190,705)	(277,848)
Payments of tenant leasehold and security deposits in trust	(374,195)	(210,228)
Proceeds from restricted bank deposits in trust	47,408	433
Payments for restricted bank deposits in trust	(52,757)	(24,546)
Net cash used in investing activities	(511,282)	(737,504)
Net cash provided by (used in) financing activities:		
Increase in short-term loans payable	1,500,000	—
Repayments of short-term loans payable	(5,800,000)	—
Proceeds from long-term loans payable	2,800,000	18,400,000
Repayments of long-term loans payable	(125,000)	(20,025,000)
Proceeds from investment corporation bonds – unsecured	2,968,229	—
Dividends paid	(1,934,667)	(1,887,293)
Net cash provided (used) by financing activities	(591,438)	(3,512,293)
Net change in cash and cash equivalents	2,750,912	(1,241,829)
Cash and cash equivalents at beginning of period	9,697,953	12,448,865
Cash and cash equivalents at end of period (Note 4)	12,448,865	11,207,036

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) *Investment corporation bonds issuance costs*

Investment corporation bonds issuance costs are capitalized and amortized on a straight-line basis over the maturity period of the investment corporation bonds.

(g) *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.

No taxes on property, plant and equipment were capitalized for the six months period ended for June 30, 2016 and December 31, 2016.

(h) 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.

(i) 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.

(j) 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.

(k) 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 properties 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, 2016	December 31, 2016
Reduction entry by:		
Government subsidies received		
Buildings in trust	4,864	4,864
Tools, furniture and fixtures in trust	7,279	7,279
Insurance income		
Buildings in trust	68,700	68,700

Note 2 – Unitholders' equity

(1) Number of investment units

	As of	
	June 30, 2016	December 31, 2016
Authorized	2,000,000 units	2,000,000 units
Issued and outstanding	266,025 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, 2016 and December 31, 2016 consist of the following:

(Thousands of yen)

	For the six months ended	
	June 30, 2016	December 31, 2016
Rental business revenue:		
Rent revenue—real estate:		
Rental revenue	5,082,289	5,211,634
Common area charges	966,992	986,678
Other	179,756	189,694
Total rent revenue—real estate	6,229,038	6,388,006
Other rental business revenue:		
Utilities	431,643	452,686
Cancellation penalty	548	13,539
Other	36,199	42,954
Total other rental business revenue	468,390	509,180
Total rental business revenue	6,697,429	6,897,186
Expenses related to rental business:		
Property management fees	830,936	833,056
Utilities	634,147	686,059
Property-related taxes	578,081	647,248
Insurance	10,707	10,876
Repair and maintenance	239,843	235,800
Depreciation	1,281,377	1,288,489
Loss on disposal of property	—	1,824
Other	71,404	77,570
Total expenses related to rental business	3,646,498	3,780,925
Operating income from property leasing activities	3,050,931	3,116,261

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, 2016	December 31, 2016
Cash and bank deposits	7,526,363	6,562,889
Cash and bank deposits in trust	8,121,692	7,867,449
Restricted bank deposits in trust ⁽¹⁾	(3,199,189)	(3,223,303)
Cash and cash equivalents	12,448,865	11,207,036

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, 2016 and December 31, 2016 scheduled to be received are summarized as follows:

	As of	
	June 30, 2016	December 31, 2016
Due within one year	2,983,473	3,074,792
Due after one year	4,565,908	3,208,178
Total	7,549,382	6,282,970

(Thousands of yen)

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of June 30, 2016 and December 31, 2016 are as follows:

	As of	
	June 30, 2016	December 31, 2016
Due within one year	6,036	6,036
Due after one year	22,635	19,617
Total	28,671	25,653

(Thousands of yen)

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.

Derivative instruments are used only for hedging purposes and not for speculation.

Surplus funds are managed carefully through investment in financial instruments taking into account liquidity and safety.

(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, tenant leasehold and security deposits or investment corporation bond are managed by decentralizing maturity date of loans payable and investment corporation bond, or 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, 2016 and December 31, 2016.

(Thousands of yen)

	As of					
	June 30, 2016			December 31, 2016		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	7,526,363	7,526,363	—	6,562,889	6,562,889	—
(2) Cash and bank deposits in trust	8,121,692	8,121,692	—	7,867,449	7,867,449	—
Total assets	15,648,055	15,648,055	—	14,430,339	14,430,339	—
(3) Current portion of long-term loans payable	20,150,000	20,154,779	4,779	13,800,000	13,872,255	72,255
(4) Investment corporation bonds – unsecured	3,000,000	3,024,600	24,600	3,000,000	2,977,050	(22,950)
(5) Long-term loans payable	72,575,000	73,657,253	1,082,253	77,300,000	78,028,898	728,898
Total liabilities	95,725,000	96,836,633	1,111,633	94,100,000	94,878,203	778,203
(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) 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.

(4) Investment corporation bonds – unsecured

The fair value is the quoted price provided by financial market information provider.

(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, 2016	December 31, 2016
Investment securities	5,085,027	5,085,027
Tenant leasehold and security deposits	8,411,330	8,245,717
Tenant leasehold and security deposits in trust	3,202,707	3,246,312

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, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	7,526,363	-	-	-	-	-
Cash and bank deposits in trust	8,121,692	-	-	-	-	-
Total	15,648,055	-	-	-	-	-

(Thousands of yen)

As of December 31, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	6,562,889	-	-	-	-	-
Cash and bank deposits in trust	7,867,449	-	-	-	-	-
Total	14,430,339	-	-	-	-	-

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

(Thousands of yen)

As of June 30, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	20,150,000	13,675,000	15,300,000	15,200,000	17,100,000	11,300,000
Investment corporation bonds – unsecured	-	-	-	-	1,500,000	1,500,000

(Thousands of yen)

As of December 31, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	13,800,000	15,300,000	15,200,000	22,850,000	14,250,000	9,700,000
Investment corporation bonds – unsecured	-	-	-	-	1,500,000	1,500,000

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, 2016

(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	41,400,000	41,400,000	Note 1	-

As of December 31, 2016

(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	41,400,000	31,100,000	Note 1	-

Note:

- (1) As disclosed in “(7) Summary of significant accounting policies (h) 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, 2016 and December 31, 2016.

For the six months ended June 30, 2016:

(Thousands of yen)

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⁾	551,658	Accounts payable - other	595,791

For the six months ended December 31, 2016:

(Thousands of yen)

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⁾	559,474	Accounts payable - other	604,232

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.

Note 9 – Segment information

Segment information for the six months ended June 30, 2016 and December 31, 2016 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

(Thousands of yen)

Name of customer	Revenues for the six months ended		Relating segment
	June 30, 2016	December 31, 2016	
Panasonic Corporation	925,350	923,562	Property rental business
AEON Retail Co., Ltd.	726,000	726,000	Property rental business

Note 10 – 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, 2016 and December 31, 2016.

(Thousands of yen)

	As of / For the six months ended	
	June 30, 2016	December 31, 2016
Net book value		
Balance at the beginning of the period	206,923,420	206,085,313
Net increase (decrease) during the period ⁽¹⁾	(838,106)	(557,034)
Balance at the end of the period	206,085,313	205,528,279
Fair value⁽²⁾	187,530,000	190,470,000

Notes:

(1) Changes in the net book value for the six months ended June 30, 2016 and December 31, 2016 are mainly due to capital expenditures 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, 2016 and December 31, 2016, please refer to “Note 3 – Rental business revenue and expenses.”

Note 11 – Per unit information

The net asset value per unit as of June 30, 2016 and December 31, 2016 was ¥440,304 and ¥440,635, respectively. Net income per unit for the six months ended June 30, 2016 and December 31, 2016 was ¥7,100 and ¥7,431, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of investment 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:

	(Thousands of yen)	
	For the six months ended	
	June 30, 2016	December 31, 2016
Net income	1,888,808	1,976,910
Effect of dilutive units	—	—
Net income attributable to unitholders	1,888,808	1,976,910
Adjusted weighted-average number of units outstanding for the period	266,025 units	266,025 units

Note 12 – Subsequent events

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on February 14, 2017, resolved to issue new investment units as follows. The offering price per unit or other conditions will be otherwise resolved at the end of February 2017.

(a) Issuance of new investment units through public offering

Number of new investment units to be issued: 29,100 units

(b) Issuance of new investment units through third-party allotment

Number of new investment units to be issued: 1,500 units

Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

(c) Use of proceeds

The Investment Corporation used the net proceeds from the issuance of new investment units through the public offering for acquiring additional specified assets. Net proceeds from the third-party allotment will be appropriate for acquisition of specified assets in the future.

Acquisition and disposition of properties

The Investment Corporation acquired (or decided to acquire) following properties for the six months ending June 30, 2017.

Name of property	Acquisition price (or planned acquisition price) (Millions of yen) (Note 1)	Acquisition date
Properties acquired:		
Shibuya Sakuragaoka Square (additional acquisition) (Note2)	¥12,130	February 1, 2017
Sendai Capital Tower	¥5,500	February 1, 2017
Properties to be acquired:		
Sasazuka Center Bldg.	¥8,700	Scheduled on March 22, 2017
USC Bldg. (Note 3)	¥5,000	Scheduled on April 6, 2017
Total	¥31,330	

Note 1: “Acquisition price (or planned acquisition price)” indicates the sale price (excluding various acquisition expenses, property taxes, city planning taxes, consumption taxes, etc.) of respective trust beneficiary interest stated in the trust beneficiary interest transfer agreement.

Note 2: The Investment Corporation already invests 40% quasi co-ownership interest of Shibuya Sakuragaoka Square (land with leasehold interest), and then has owned all the land and building of this property by the additional acquisition of 60% quasi co-ownership interest of the land with leasehold interest and the building of this property.

Note 3: The investment Corporation will acquire 50 over 108 quasi co-ownership interest of the building and land of USC Bldg.

The Investment Corporation decided to dispose following properties for the six months ending June 30, 2017.

Name of property	Planned disposition price (Millions of yen) (Note 1)	Scheduled date of disposition
Midosuji MID Bldg.	¥9,000	March 27, 2017
MID MidosujiKawaramachi Bldg	¥1,700	March 27, 2017
Total	¥10,700	

Note 1: “Planned disposition price” indicates the sale price (excluding various acquisition expenses, property taxes, city planning taxes, consumption taxes, etc.) of respective trust beneficiary interest stated in the trust beneficiary interest transfer agreement.

New debt financing

The Investment Corporation obtained ¥18,000 million debt financing for acquiring new properties stated above.

	Lender(s)	Amount outstanding	Debt term	Interest rate	Contract date	Borrowing date	Method of borrowing, repayment of principal	Maturity date
Loan 1	Mizuho Bank, Ltd.	¥10,000 million	0.5 years	Floating rate (JBA 1-month yen TIBOR) + 0.150%	January 26, 2017	January 31, 2017	Unsecured and unguaranteed, lump sum repayment	July 31, 2017
Loan 2	Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Development Bank of Japan, Inc. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥4,000 million	5 years	Fixed rate 0.64691%				January 31, 2022
Loan 3	Same as above	¥4,000 million	7 years	Fixed rate 0.80938%				January 31, 2024

Note 13 – Investment securities

Notes relating to investment securities are omitted as the investment securities (equity interests in silent partnership amounting to ¥5,085,027 thousand in book value) 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 investment unit issued and outstanding

There was no change in unitholders' capital for the six months ended December 31, 2016. The outline of changes in unitholders' capital for the previous periods was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
June 1, 2006	Private placement for incorporation	200	200	100	100	Note 1
August 28, 2006	Public offering	180,000	180,200	88,587	88,687	Note 2
September 26, 2006	Allocation of investment units to a third party	3,425	183,625	1,685	90,372	Note 3
April 22, 2015	Allocation of investment units to a third party	8,400	192,025	2,435	92,808	Note 4
July 29, 2015	Public offering	70,000	262,025	21,222	114,030	Note 5
August 17, 2015	Allocation of investment units to a third party	4,000	266,025	1,212	115,243	Note 6

Note 1 The Investment Corporation was incorporated through private placement at a price of ¥500,000 per unit.

Note 2 New investment units were issued at a price of ¥510,000 per unit (subscription price of ¥492,150 per unit) through a public offering in order to raise funds for acquiring new property.

Note 3 New investment units were issued at a price of ¥492,150 per unit through the allocation of investment units to Nomura Securities Co., Ltd. in connection with the public offering on August 28, 2006.

Note 4 New investment units were issued at a price of ¥289,950 per unit through the allocation of investment units to Mitsubishi Corporation and UBS AG.

Note 5 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 6 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

None

5. Additional information

(1) Composition of assets

Classification of assets	Investment category	Investment area	As of June 30, 2016		As of December 31, 2016	
			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 (Note 2)	55,400	24.3	55,396	24.5
		Osaka metropolitan area (Note 2)	121,855	53.5	121,454	53.8
	Other	Three major metropolitan areas				
		Tokyo metropolitan area (Note 2)	24,182	10.6	24,067	10.7
		Osaka metropolitan area (Note 2)	2,448	1.1	2,431	1.1
		Other areas	2,198	1.0	2,178	1.0
		Sub-total	206,085	90.5	205,528	91.0
		Investments in Tokumei Kumiai agreement (Note 3)	5,085	2.2	5,085	2.3
		Bank deposits and other assets	16,515	7.3	15,303	6.8
		Total assets	227,686	100.0	225,916	100.0
		Total liabilities	110,554	48.6	108,696	48.1
		Total net assets	117,131	51.4	117,220	51.9

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, 2016 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	2.3

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.

(b) Properties in trust

The investment properties in the form of trust beneficiary interests held by the Investment Corporation as of December 31, 2016 were as follows:

Investment category	Investment area		Property Number	Name of property	Location (Note 1)	Form of ownership	Net book value	Appraisal value at end of period	Leasable area (Note 4) (m ²)	Leased area (Note 5) (m ²)	Occupancy ratio (Note 6) (%)
							(Note 2) Millions of yen	(Note 3) Millions of yen			
Office Building	Three major metropolitan areas	Tokyo metropolitan area	OT-1	Sumitomo Fudosan Ueno Bldg. No.6	5-24-8, Higashiueno, Taito-ku, Tokyo	Trust beneficial interest	7,710	7,970	6,858.16	6,858.16	100.0
			OT-2	G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	12,300	14,100	5,013.55	4,179.23	83.4
			OT-3	Shibuya Sakuragaoka Square (land with leasehold interest) (Note 7)	109-7 and other, Sakuragaokacho, Shibuya-ku, Tokyo (Note 8)	Trust beneficial interest	5,058	5,320	1,200.08	1,200.08	100.0
			OT-4	Yokohama Creation Square	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	7,120	7,750	12,739.42	11,995.63	94.2
			OT-5	Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	20,391	21,800	24,462.29	22,286.19	91.1
			OT-6	Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	2,815	2,930	3,256.64	3,256.64	100.0
		Osaka metropolitan area	OO-1	Twin 21 (Note 9)	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	66,471	49,500	82,304.85	80,399.97	97.7
			OO-2	Matsushita IMP Bldg.	1-3-7 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	22,749	19,900	37,406.94	36,983.20	98.9
			OO-3	Midosuji MID Bldg.	4-3-2 Minamisenba, Chuo-ku, Osaka-shi	Trust beneficial interest	8,379	7,310	10,461.32	9,902.14	94.7
			OO-4	MID REIT Kyobashi Bldg.	1-5-14 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	2,106	1,420	4,833.88	4,833.88	100.0
			OO-5	MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	3,138	2,210	4,277.64	4,028.16	94.2
			OO-6	MID Midosujikawaramachi Bldg.	4-3-7 Kawaramachi, Chuo-ku, Osaka-shi	Trust beneficial interest	1,909	1,490	3,110.49	3,110.49	100.0
		OO-7	Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	10,440	8,760	10,189.49	10,057.37	98.7	
		OO-8	MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	3,375	2,160	3,877.38	3,633.88	93.7	
		OO-9	Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	2,883	3,450	4,655.57	4,260.28	91.5	
		Sub total						176,850	156,070	214,647.70	206,985.30
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	24,067	27,800	101,210.44	101,210.44	100.0
		Osaka metropolitan area	RO-1	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	2,431	3,300	9,586.26	9,586.26	100.0
	Other area		HR-1	Dormy Inn Hakata Gion	1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	2,178	3,300	5,554.91	5,554.91	100.0
	Sub total						28,677	34,400	116,351.61	116,351.61	100.0
Total							205,528	190,470	330,999.31	323,336.91	97.7

Note 1 "Location" means the location indicated in the residence indication (if not available, in the land registry book).

Note 2 "Net book value" is calculated by subtracting accumulated depreciation from the original acquisition cost (including relating expenses) of each property.

Note 3 "Appraisal value at end of period" shows the value as of December 31, 2016 appraised by the real estate appraiser (Morii Appraisal & Investment Consulting, Inc., Tanizawa Sōgō Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and Japan Real Estate Institute) in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

Note 4 "Leasable area" refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as floor space for common area of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leasable as of December 31, 2016.

Note 5 "Leased area" refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as floor space for common area of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leased under lease agreements valid as of December 31, 2016.

Note 6 "Occupancy ratio" is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2016 by the leasable area. In addition, the figures in the "Total" rows are presented as percentages that are obtained by dividing the sum of the leased area of each property group by the sum of the group's leasable area.

Note 7 The Investment Corporation owns 40% of the trust beneficiary interest in Shibuya Sakuragaoka Square (land with leasehold interest).

Note 8 The location of Shibuya Sakuragaoka Square (land with leasehold interest) is based on the land registry book.

Note 9 Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

Note 10 Amounts less than one million yen are rounded down.

(c) Operation results of properties

Operating results of each property held by the Investment Corporation as of December 31, 2016 were as follows:

Investment category	Investment area		Property Number	Name of property	For the six months ended							
					June 30, 2016				December 31, 2016			
					Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Notes 3 and 4) (Thousands of yen)	Ratio of rental revenue to total rental revenues (Note 5) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Notes 3 and 4) (Thousands of yen)	Ratio of rental revenue to total rental revenues (Note 5) (%)
Office Building	Three major metropolitan areas	Tokyo metropolitan area	OT-1	Sumitomo Fudosan Ueno Bldg. No.6	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			OT-2	G-Square Shibuya Dogenzaka	8	79.5	191,997	2.9	8	83.4	236,590	3.4
			OT-3	Shibuya Sakuragaoka Square (land with leasehold interest)	1	100.0	90,633	1.4	1	100.0	90,633	1.3
			OT-4	Yokohama Creation Square	37	92.4	317,836	4.7	39	94.2	340,604	4.9
			OT-5	Cube Kawasaki	9	100.0	589,248	8.8	9	91.1	614,324	8.9
			OT-6	Higashi-Nihombashi Green Bldg.	8	100.0	85,440	1.3	8	100.0	88,644	1.3
		Osaka metropolitan area	OO-1	Twin 21	107	98.0	2,255,041	33.7	106	97.7	2,303,927	33.4
			OO-2	Matsushita IMP Bldg.	59	97.6	1,015,718	15.2	60	98.9	1,058,809	15.4
			OO-3	Midosuji MID Bldg.	8	98.8	285,206	4.3	7	94.7	278,853	4.0
			OO-4	MID REIT Kyobashi Bldg.	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
			OO-5	MID Imabashi Bldg.	16	85.6	85,097	1.3	19	94.2	86,050	1.2
			OO-6	MID Midosujikawaramachi Bldg.	13	100.0	55,946	0.8	13	100.0	62,994	0.9
			OO-7	Kitahama MID Bldg.	11	100.0	319,304	4.8	10	98.7	323,134	4.7
			OO-8	MID Nishihommachi Bldg.	15	89.6	77,428	1.2	16	93.7	85,379	1.2
			OO-9	Higobashi MID Bldg.	11	95.0	118,199	1.8	10	91.5	116,236	1.7
		Sub total				306	97.2	—	—	309	96.4	—
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1	100.0	726,000	10.8	1	100.0	726,013	10.5
		Osaka metropolitan area	RO-1	Konami Sports Club Kyobashi	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
	Other area		HR-1	Dormy Inn Hakata Gion	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
	Sub total				4	100.0	—	—	4	100.0	—	—
Total (Note 6)					310	98.2	6,697,429	100.0	313	97.7	6,897,186	100.0

Note 1 “Number of tenants” represents the number of tenants based on lease agreements that are valid at the end of each fiscal period. (Figures are for leased units only and exclude the tenants who rent only the floor space for storage, halls, parking, etc.). When a single tenant occupies multiple properties, the tenant is counted for each property and totaled. When a single tenant rents multiple units in a single property and the billing of the rent for these units is consolidated, the count is as one tenant. When the Investment Corporation owns only land with leasehold interest, the count is of the number of lessees of the land.

Note 2 “Occupancy ratio” is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2016 by the leasable area. In addition, the figures in the “Subtotal” and the “Total” rows are presented as percentages that are obtained by dividing the sum of the leased area of each property group by the sum of the group’s leasable area and rounded to the first decimal place.

Note 3 Amounts less than one thousand yen are rounded down.

Note 4 Total of rental revenues includes Sumitomo Fudosan Ueno Bldg. No.6, MID REIT Kyobashi Bldg., Konami Sports Club Kyobashi and Dormy Inn Hakata Gion.

Note 5 “Ratio of rental revenue to total rental revenues” is rounded to the nearest first decimal place.

Note 6 “Rental revenues” and “Ratio of rental revenue to total rental revenues” of the properties are not disclosed because the consent from the tenants has not been obtained.