

Translation

MCUBS MIDCITY INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

February 20, 2018

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: Katsuhiro Tsuchiya, Executive Director

Name of asset manager: MCUBS MidCity Inc.

Representative of the asset manager: Toyota Watanabe, President & CEO & Representative Director

Contact: Naoki Suzuki, Deputy President & Representative Director
Tel: (03)5293-4150

Scheduled date for filing of securities report: March 29, 2018

Scheduled date for distributions payment: March 23, 2018

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, 2017 (July 1, 2017 to December 31, 2017)

(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, 2017	7,610	(5.2)	2,983	(5.3)	2,400	(5.0)	2,405	(4.8)
June 30, 2017	8,025	14.6	3,150	23.4	2,527	27.8	2,527	27.8

	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, 2017	1,621	1.9	1.0	31.5
June 30, 2017	1,763	2.1	1.1	31.5

Note: The Investment Corporation executed a five-for-one unit split (the "Unit Split") with December 31, 2017 as the record date and January 1, 2018 as the effective date for the Unit Split. Net income per unit in the above table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on January 1, 2017.

(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, 2017	8,110	2,405	0	0	100.0	1.9
June 30, 2017	7,900	2,343	0	0	92.7	1.8

Note 1: Total distributions for the six months ended June 30, 2017 consist of unappropriated retained earnings at the end of period after transferring ¥183 million to reserve for reduction entry of property.

Note 2: Payout ratio for the six months ended December 31, 2017 is calculated by following formula.

Payout ratio = Distributions per unit ÷ Net income per unit (not adjusted to reflect the Unit Split) × 100

Payout ratio for the six months ended June 30, 2017 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

Note 3: Distributions per unit for the six months ended December 31, 2017 shown in the above table (2) differ from net income per unit for the period then ended shown in the above table (1) because net income per unit for the period is calculated as pro forma information which has been adjusted to reflect the Unit Split as if it had been effective on January 1, 2017.

Note 4: Distributions per unit for the six months ended June 30, 2017 shown in the above table (2) differ from net income per unit for the period then ended shown in the above table (1) because net income per unit for the period is calculated as pro forma information which has been adjusted to reflect the Unit Split as if it had been effective on January 1, 2017 using adjusted weighted-average number of units outstanding for the period.

(3) Financial position

	Total assets	Net assets	Ratio of net assets to total assets	Net asset value per unit
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2017	248,837	127,737	51.3	86,127
June 30, 2017	248,821	127,675	51.3	86,085

Note: Net asset value per unit in the above table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on January 1, 2017.

(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, 2017	3,993	(821)	(2,341)	16,113
June 30, 2017	13,974	(28,617)	18,718	15,282

2. Outlook for the six months ending June 30, 2018 (January 1, 2018 to June 30, 2018) and December 31, 2018 (July 1, 2018 to December 31, 2018)

(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, 2018	7,888	3.7	3,340	12.0	2,738	14.1	2,737	13.8
December 31, 2018	8,365	6.0	3,491	4.5	2,876	5.1	2,875	5.1

	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, 2018	1,708	1,665	0
December 31, 2018	1,750	1,750	0

3. Others

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

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of units issued

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

As of December 31, 2017 296,625 units

As of June 30, 2017 296,625 units

Number of treasury units at end of period:

As of December 31, 2017 0 unit

As of June 30, 2017 0 unit

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 27.

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, (2) Results of operation, ② Outlook of next fiscal period, (b) Outlook of business” on page 8.

As the Investment Corporation executed a five-for-one unit split (the “Unit Split”) with December 31, 2017 as the record date and January 1, 2018 as the effective date for the Unit Split, the number of units issued increased by 1,483,125 units. In addition, The Board of Directors of the Investment Corporation, at its meeting held on January 29, 2018, resolved to issue 152,000 new investment units through public offering with an option to purchase up to an aggregate of 8,000 additional new units granted to underwriters of the public offering through third-party allotment. Therefore, the forward-looking statements is based on the number of units after the Unit Split and the issuance of new investment units (1,643,125 units).

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, 2017).

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, 2017).

(2) Results of operation

① Overview of fiscal period under review

(a) Brief background to MCUBS MidCity

MCUBS MidCity Investment Corporation (hereafter “MCUBS MidCity”) was established by MCUBS MidCity Inc. (hereafter, the “Asset Management Company”) on June 1, 2006 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (hereafter, the “Investment Trusts Act”), and listed on the Tokyo Stock Exchange, Inc.’s Real Estate Investment Trust Section (Securities Code: 3227) on August 29, 2006.

During the fiscal period under review, the four properties (total acquisition price: ¥31,330 million; of which, one is an additional acquisition to an existing property) acquired in the previous fiscal period (fiscal period ended June 2017) operated full year, contributing to an increase in profits. As of the end of the fiscal period under review (December 31, 2017), the portfolio of MCUBS MidCity was comprised of 20 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting to ¥238,144 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 23rd fiscal period, the Japanese economy continued to recover moderately as GDP for the July to September 2017 period remained positive for seven consecutive quarters against the backdrop of growing exports, steady capital investment, etc. The economy is expected to continue to be generally brisk, backed by the continuation of exports and improvement in the employment/income environment due to mild recovery of the global economy going forward.

In the real estate investment market, the transaction price continues to be on an upward trend with more active transactions against the backdrop of favorable fund procurement environment. 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 2017, the land price of intensively used land of major cities in Japan increased in 86 of the 100 districts, remained flat in 14 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, improvement in vacancy rate and the upward trend of rent level are continuing. Demand for office floors is expected to remain solid although we intend to carefully keep an eye on the impact from a new supply of large-scale buildings in Tokyo.

The J-REIT market remained rather weak from the beginning of the 23rd fiscal period starting at the TSE REIT index of 1,688 points against the backdrop of the outflow of capital from monthly distributing-type investment trusts to end at 1,662 points at the end of the fiscal period. Furthermore, despite continuous expectation for a rise in interest rates in Europe and the U.S. due to the anticipated policy rate hikes in the U.S., etc., the interest rate in Japan is expected to remain at a low level with the continuation of the monetary easing policy by the Bank of Japan. We will continue to pay close attention to the monetary

policy and financial market going forward.

(ii) Asset management performance

<Investment performance>

During the 23rd 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 23rd fiscal period was comprised of 20 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 96.7% (of which Tokyo metropolitan area accounting for 44.7%, Osaka metropolitan area 50.0% and Nagoya metropolitan area 2.1%) in the three major metropolitan areas and 3.3% in other areas, and are distributed in terms of property type with 86.9% being office buildings and 13.1% 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 as well as 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 23rd 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. Although there were some large tenants' exits, a high occupancy rate of 97.0%, similar to that at the end of the previous fiscal period (97.5%), was maintained at the end of the fiscal period, as a result of aggressive efforts to attract new tenants such as by making proposals to meet those tenant needs as well as to capture the needs of existing tenants for more space within the same building. In addition, MCUBS MidCity focused on rent revision and was able to extend the contract period and raise the rent through negotiation with the largest tenant during the fiscal period under review.

Furthermore, MCUBS MidCity has worked on cost reduction with an aim to further enhance profitability of the portfolio. Cost reduction efforts such as changing electricity and gas suppliers have begun contributing to profits.

(c) Overview of fund procurement

(i) Issuance of new investment units

During the 23rd fiscal period, MCUBS MidCity has made no fund procurement through additional issuance of new investment units. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 296,625 investment units.

(ii) Debt financing

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

In the 23rd fiscal period, MCUBS MidCity borrowed a total of ¥13,675 million on July 31, 2017, including loans with 10-year terms, the longest bank loan term for MCUBS MidCity, in order to refinance borrowings totaling ¥13,675 million which were due on July 31, 2017. Backed by the lowered interest rates after the introduction of negative interest rates by the Bank of Japan, MCUBS MidCity has realized reduction of financial costs while further diversifying maturity dates, extending borrowing periods and fixing interest rates.

As of the end of the 23rd fiscal period, MCUBS MidCity had a balance of borrowings from 19 financial institutions in the amount of ¥98,975 million and had a balance of investment corporation bonds in the amount of ¥6,000 million. The ratio of interest-bearing liabilities to total assets stands at 42.2%, 100.0% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 77.4% of loans payable are applied to fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

The following is the status of MCUBS MidCity's issuer ratings as of the end of the 23rd 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 ¥7,610 million, operating income of ¥2,983 million, ordinary income of ¥2,400 million and net income of ¥2,405 million in its performance for the 23rd 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 ¥8,110.

② Outlook of next fiscal period

(a) Future asset management policy and challenges to address

(i) Internal growth strategy

In Osaka metropolitan area's office leasing market where approximately half of MCUBS MidCity's portfolio assets are located, a decrease in new supply amid ongoing strong office demand has made supply/demand balance tight, leading to continuous improvement in vacancy rates. In line with such, improvement in new-contract lease terms and conditions are seen and the market rent is turning to a moderate recovery trend.

On the other hand, Tokyo metropolitan area's office leasing market is expecting a large volume of supply, mainly of large-scale buildings. However, as needs for floor expansion and relocation for expansion are still strong, the vacancy rate is likely to remain stable at a low level to a certain degree against the backdrop of such solid office demand. In addition, the market rent is also expected to remain stable.

Under such circumstances, in view of maintaining and enhancing revenue for the medium and long term, MCUBS MidCity is, based on the following strategies, working on heightening the satisfaction levels of existing tenants through the provision of comfortable office environments and services and maintaining and improving 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, matters pointed out and requested by tenants, etc., the Asset Management Company instructs property management companies and building management companies, as well as considers and carries out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs.

According to the results of the most recent survey conducted in October and November 2017 (12th survey), "overall building comfort" and "security measures" of properties in both Tokyo metropolitan area and Osaka metropolitan area has earned higher evaluation than before. This, we believe, is the result of improved tenant satisfaction due to improvement of facilities, implementation of disaster drills, etc. The Asset Management Company 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.

At Twin 21 and Matsushita IMP Bldg. located in Osaka Business Park (OBP) enjoying abundant greenery with Osaka Castle Park nearby, PR activities are being implemented with the theme of "comfort" to pursue 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.

<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. In addition, MCUBS MidCity has worked to improve competitiveness of properties in view of provision of comfortable office environments by conducting upgrading of facilities and renewal of interiors one after another, as necessary.

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 analysis by utilizing tenant information, etc. that property management companies have acquired in closely working 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.

<Address energy saving and CO₂ reduction>

Concerning its portfolio, 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. In the continuous monitoring under DBJ Green Building certification (five-level certification system) issued by the Development Bank of Japan (DBJ), ratings for Twin 21, Matsushita IMP Bldg., Kitahama MID Bldg. and Higobashi MID Bldg. are 4-stars in recognition of efforts meeting the needs of the times, such as extensive office facilities and disaster prevention measures. Furthermore, some of MCUBS MidCity's portfolio assets have received Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification and Building-Housing Energy-efficiency Labeling System (BELS) certification. MCUBS MidCity has also been participating in real estate evaluation of Global Real Estate Sustainability Benchmark (GRESB) since 2016 and was designated as "Green Star," the highest ranking, in 2017 for the second consecutive year.

(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, investment targets also include so-called "government-designated cities" as well as other major cities or their equivalent, 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 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) Investment unit split

MCUBS MidCity implemented a five-for-one split of the investment units with the record date on December 31, 2017 and the effective date on January 1, 2018.

<Purpose of the split>

MCUBS MidCity is considering various measures to enhance unitholder value, and as a part of its activities, MCUBS MidCity resolved to split its investment units. In light of the spread of the Nippon Individual Savings Account (NISA), MCUBS MidCity implemented the split for the purpose of making an environment which enables investors to handle their investment more easily by reducing the investment unit price, which would ultimately broaden MCUBS MidCity's investor base and increase the liquidity of the investment units.

< Method of the split >

MCUBS MidCity implemented a five-for-one split of the investment units of MCUBS MidCity held by unitholders stated or recorded on the registry of unitholders as of the record date of December 31, 2017.

< Number of investments units to be increased through the split>

Number of investment units issued and outstanding before the split:	296,625 units
Number of investment units increased through the split:	1,186,500 units
Number of investment units issued and outstanding after the split:	1,483,125 units
Number of investment units authorized after the split:	10,000,000 units

Please refer to [Note 13 – Per unit information] for the per-unit information figures assuming that the investment unit split was conducted at the beginning of the fiscal period.

(ii) Issuance of new investment units

MCUBS MidCity's board of directors' meeting held on January 29, 2018 and February 7, 2018 resolved issuance of new investment units as follows, and payment for new investment units issued through public offering was completed on February 15, 2018. Terms and conditions of the issuance are as indicated below. As a result, unitholders' capital and the total number of investment units issued and outstanding as of February 15, 2018 are ¥135,887,212,150 and 1,635,125 investment units, respectively. Furthermore, March 9, 2018 is set as the payment date (plan) for issuance of new investment units through third-party allotment in line with secondary offering of investment units (over-allotment), if such is to be executed.

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

Number of new investment units:	152,000 units
Issue price (offer price):	73,125 yen per unit
Total issue price (total offer price):	11,115,000,000 yen
Issue value (amount to be paid):	70,650 yen per unit
Total issue value (amount to be paid):	10,738,800,000 yen
Payment date:	February 15, 2018

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

Number of new investment units:	8,000 units
Issue value (amount to be paid):	70,650 yen per unit
Total issue value (amount to be paid):	565,200,000 yen
Payment date:	March 9, 2018
Allottee:	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

There may be cases in which there will be no subscription to the investment units offered through the third-party allotment in whole or in part, and accordingly the final number of the investment units issued

through the third-party allotment will decrease to that extent due to forfeiture of rights, or such issuance itself will not take place at all.

<Use of proceeds>

The funds procured through the issuance of new investment units through public offering will be used for part of funds for the acquisition of new specified assets. The funds procured through the issuance of new investment units through third-party allotment will be kept as cash on hand and be used for future acquisition of specified assets, etc.

(iii) Financial outlook

The following is MCUBS MidCity's business outlook for the fiscal period ending June 30, 2018 (January 1, 2018 to June 30, 2018). For the assumptions underlying the forecast of business, please refer to "Assumptions regarding business outlook for the 24th fiscal period (January 1, 2018 to June 30, 2018) and the 25th fiscal period (July 1, 2018 to December 31, 2018)" below.

Operating revenue	¥7,888 million
Operating income	¥3,340 million
Ordinary income	¥2,738 million
Net income	¥2,737 million
Distribution per unit	¥1,665
Distribution in excess of earnings per unit	¥0

In addition, assuming that "Assumptions regarding business outlook for the 24th fiscal period (January 1, 2018 to June 30, 2018) and the 25th fiscal period (July 1, 2018 to December 31, 2018)" remains unchanged, MCUBS MidCity expects the following business outlook for its 25th fiscal period (July 1, 2018 to December 31, 2018).

Operating revenue	¥8,365 million
Operating income	¥3,491 million
Ordinary income	¥2,876 million
Net income	¥2,875 million
Distribution per unit	¥1,750
Distribution in excess of earnings per unit	¥0

[Note] The business outlook presented herein is 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 24th fiscal period (January 1, 2018 to June 30, 2018) and the
25th fiscal period (July 1, 2018 to December 31, 2018)

25th fiscal period (July 1, 2018 to December 31, 2018)

Item	Assumptions								
Assets under management	<div><ul style="list-style-type: none">It is assumed that the following four properties are acquired (including one property which will be additionally acquired, the “Assets (to be) Acquired”), in addition to the 20 properties (including silent partnership interests) held by MCUBS MidCity as of December 31, 2017. With regard to all the Assets (to be) Acquired, a sale and purchase agreement or a status transfer agreement which specifies that the status of purchaser shall be taken over from a domestic company which entered into a sale and purchase agreement with a seller is executed. (Planned) acquisition dates of each property are as follows: < Assets (to be) Acquired></div> <table><tr><td>Acquired on February 16, 2018</td><td>Acquired on February 16, 2018</td><td>To be Acquired on March 1, 2018</td><td>To be Acquired on March 1, 2018</td></tr><tr><td>USC Bldg. (additional acquisition)</td><td>Yoshiyasu Kanda Bldg.</td><td>SSP Bldg.</td><td>M-City Akasaka 1-chome Bldg.</td></tr></table> <div><ul style="list-style-type: none">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, 2018, after the acquisition of the Assets (to be) Acquired.The actual assets under management may vary due to changes in the property portfolio and other factors.</div>	Acquired on February 16, 2018	Acquired on February 16, 2018	To be Acquired on March 1, 2018	To be Acquired on March 1, 2018	USC Bldg. (additional acquisition)	Yoshiyasu Kanda Bldg.	SSP Bldg.	M-City Akasaka 1-chome Bldg.
Acquired on February 16, 2018	Acquired on February 16, 2018	To be Acquired on March 1, 2018	To be Acquired on March 1, 2018						
USC Bldg. (additional acquisition)	Yoshiyasu Kanda Bldg.	SSP Bldg.	M-City Akasaka 1-chome Bldg.						
Operating revenue	<div><ul style="list-style-type: none">Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as of today, 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.</div>								
Operating expenses	<div><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 ¥860 million and ¥888 million are expected for the 24th fiscal period and for the 25th fiscal period, respectively.Utilities expenses of ¥641 million and ¥732 million are expected for the 24th fiscal period and for the 25th fiscal period, respectively.Fixed asset taxes, city planning taxes and depreciable assets taxes (“fixed asset taxes, etc.”) Property taxes, etc. of ¥641 million and ¥687 million are expected for the 24th fiscal period and for the 25th 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 24th fiscal period and the 25th 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 26th period.The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. Building repair expenses of ¥189 million and ¥264 million are expected for the 24th fiscal period and for the 25th 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. ¥1,326 million and ¥1,357 million are expected for the 24th fiscal period and for the 25th fiscal period, respectively.</div>								
Non-operating expenses	<div><ul style="list-style-type: none">Interest expenses of ¥428 million and ¥451 million are expected for the 24th fiscal period and for the 25th fiscal period, respectively.Borrowing-related expenses of ¥136 million and ¥136 million are expected for the 24th fiscal period and for the 25th fiscal period, respectively.</div>								

Interest-bearing liabilities	<ul style="list-style-type: none"> • It is assumed that the balance of interest-bearing liabilities outstanding will be ¥115,975 million and ¥115,975 million as of the end of the 24th fiscal period and as of the end of the 25th fiscal period, respectively. • It is assumed that ¥11,000 million will be newly borrowed as of February 28, 2018 for the purpose of acquiring the properties stated in “Assets under management” above. • It is assumed that the borrowings of ¥15,300 million that will become due during the 25th fiscal period (on July 31, 2018) 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 152,000 new investment units, to be issued through the public offering, and maximum 8,000 new investment units, to be issued through a third-party allotment accompanying the secondary offering (over-allotment), total of 160,000 units, which were resolved at the meeting of the board of directors held on January 29, 2018, are issued, in addition to 1,483,125 investment units issued and outstanding as of January 1, 2018, and that no additional new investment units are issued by the end of the 25th fiscal period.
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 the issuance of additional investment units.
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).
Other	<ul style="list-style-type: none"> • It is assumed that no changes will be made to laws, the tax system, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. affecting the aforementioned forecasts. • It is assumed that there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.

The details of the assets acquired or to be acquired in the 24th fiscal period are as follows.

Name of property	Location	Investment category	(Planned) Acquisition price (Millions of yen) (Note 1)	(Planned) Acquisition date
Acquired Assets				
USC Bldg. (Additional acquisition) (Note 2)	4-11-38, Toyo, Koto-ku, Tokyo	Office building	5,800	February 16, 2018
Yoshiyasu Kanda Bldg.	2-1-15, Iwamotocho, Chiyoda-ku, Tokyo	Office building	4,000	February 16, 2018
Assets to be Acquired				
SSP Bldg.	2-12-4, Nihombashi Hamacho, Chuo-ku, Tokyo	Office building	9,200	March 1, 2018
M-City Akasaka 1-chome Bldg.	1-11-28, Akasaka, Minato-ku, Tokyo	Office building	4,205	March 1, 2018
Total			23,205	

(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 building and land of the property as entrusted property (quasi co-ownership ratio: 54%) and has acquired the entire trust beneficiary interest in the building and land of the property as entrusted asset including quasi co-ownership (quasi co-ownership ratio: 46%) acquired before the additional acquisition.

3. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	June 30, 2017	December 31, 2017
ASSETS		
Current assets:		
Cash and bank deposits	9,911,529	11,031,348
Cash and bank deposits in trust	5,535,252	5,246,810
Rental receivables	258,623	164,686
Income taxes receivable	20,976	27,354
Consumption tax refundable	333,562	—
Prepaid expenses	47,211	42,853
Deferred tax assets	14	13
Other	28,069	55,996
Total current assets	16,135,240	16,569,063
Noncurrent assets:		
Property, plant and equipment:		
Buildings in trust, at cost (Note 1)	77,291,095	78,072,237
Less: Accumulated depreciation	(20,605,424)	(21,837,494)
Buildings in trust, net	56,685,671	56,234,742
Structures in trust, at cost	130,240	137,960
Less: Accumulated depreciation	(28,239)	(31,563)
Structures in trust, net	102,000	106,397
Machinery and equipment in trust, at cost	7,916	7,916
Less: Accumulated depreciation	(2,695)	(3,016)
Machinery and equipment in trust, net	5,220	4,900
Tools, furniture and fixtures in trust, at cost (Note 1)	556,596	585,010
Less: Accumulated depreciation	(401,781)	(422,896)
Tools, furniture and fixtures in trust, net	154,814	162,113
Land in trust	169,977,198	169,977,118
Construction in progress in trust	5,663	4,043
Total net property, plant and equipment	226,930,569	226,489,315
Intangible assets:		
Software	4,020	3,515
Trademark right	160	95
Total intangible assets	4,180	3,611
Investments and other assets:		
Investment securities	5,085,027	5,085,027
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	522,181	573,319
Total investments and other assets	5,617,208	5,668,347
Total noncurrent assets	232,551,959	232,161,274
Deferred assets:		
Investment corporation bonds issuance costs	57,596	53,156
Investment unit issuance costs	77,023	53,593
Total deferred assets	134,619	106,750
TOTAL ASSETS	248,821,819	248,837,087

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

(Thousands of yen)

	As of	
	June 30, 2017	December 31, 2017
LIABILITIES		
Current liabilities:		
Operating accounts payable	606,408	508,467
Current portion of long-term loans payable	13,675,000	15,300,000
Accounts payable – other	1,051,686	815,868
Accrued expenses	139,178	132,505
Distribution payable	7,901	8,941
Consumption taxes payable	—	305,930
Advances received	1,092,407	1,084,994
Other	615,506	376,715
Total current liabilities	17,188,088	18,533,424
Noncurrent liabilities:		
Investment corporation bonds – unsecured	6,000,000	6,000,000
Long-term loans payable	85,300,000	83,675,000
Tenant leasehold and security deposits	12,299,221	12,726,537
Tenant leasehold and security deposits in trust	358,930	164,268
Total noncurrent liabilities	103,958,152	102,565,806
TOTAL LIABILITIES	121,146,240	121,099,230
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	125,148,412	125,148,412
Surplus:		
Voluntary reserve		
Reserve for reduction entry of property	—	183,659
Total voluntary reserve	—	183,659
Retained earnings	2,527,166	2,405,786
Total surplus	2,527,166	2,589,445
Total unitholders' equity	127,675,578	127,737,857
TOTAL NET ASSETS (Note 2)	127,675,578	127,737,857
TOTAL LIABILITIES AND NET ASSETS	248,821,819	248,837,087

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, 2017	December 31, 2017
Operating revenue		
Rent revenue—real estate (Note 3)	6,825,340	6,962,607
Other rental business revenue (Note 3)	535,622	510,054
Dividends income	107,087	138,202
Gain on sales of property (Note 4)	557,469	—
Total operating revenue	8,025,520	7,610,864
Operating expenses		
Expenses related to rental business	3,924,768	3,879,165
Loss on sales of property (Note 4)	225,860	—
Asset management fees	585,179	624,301
Asset custody fee	5,750	5,706
Administrative service fees	33,002	33,861
Directors' compensations	6,200	8,700
Other	94,614	76,052
Total operating expenses	4,875,374	4,627,787
Operating income	3,150,146	2,983,076
Non-operating income		
Interest income	70	82
Reversal of distribution payable	1,041	1,097
Interest on refund	21	1,027
Other	—	0
Total non-operating income	1,133	2,208
Non-operating expenses		
Interest expenses	409,147	399,572
Interest expenses on investment corporation bonds	10,071	16,533
Borrowing related expenses	141,243	139,445
Amortization of investment corporation bonds issuance costs	3,006	4,439
Amortization of investment unit issuance costs	20,475	23,429
Other	39,400	928
Total non-operating expenses	623,344	584,349
Ordinary income	2,527,934	2,400,936
Extraordinary income		
Gain on donation of noncurrent assets	—	5,559
Total extraordinary income	—	5,559
Income before income taxes	2,527,934	2,406,495
Income taxes		
Current	900	878
Deferred	1	1
Total income taxes	902	879
Net income	2,527,032	2,405,616
Retained earnings brought forward	134	169
Unappropriated retained earnings	2,527,166	2,405,786

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, 2017

For the six months ended June 30, 2017					
	Unitholders' equity				
	Unitholders' capital (Note 2)	Surplus		Total unitholders' equity	Total net assets
		Retained earnings	Total surplus		
Balance as of January 1, 2017	115,243,069	1,976,966	1,976,966	117,220,036	117,220,036
Changes during the period					
Issuance of new investment units	9,905,342	—	—	9,905,342	9,905,342
Dividends from surplus	—	(1,976,831)	(1,976,831)	(1,976,831)	(1,976,831)
Net income	—	2,527,032	2,527,032	2,527,032	2,527,032
Total changes during the period	9,905,342	550,200	550,200	10,455,542	10,455,542
Balance as of June 30, 2017	125,148,412	2,527,166	2,527,166	127,675,578	127,675,578

For the six months ended December 31, 2017

For the six months ended December 31, 2017							
	Unitholders' equity						
	Surplus						
		Voluntary reserve					
	Unitholders'	Reserve for	Total	Retained	Total	Total	Total
	capital	reduction	voluntary	earnings	surplus	unitholders'	net assets
	(Note 2)	entry of	reserve			equity	
		property					
Balance as of July 1, 2017	125,148,412	—	—	2,527,166	2,527,166	127,675,578	127,675,578
<u>Changes during the period</u>							
Provision of reserve for reduction entry of property	—	183,659	183,659	(183,659)	—	—	—
Dividends from surplus	—	—	—	(2,343,337)	(2,343,337)	(2,343,337)	(2,343,337)
Net income	—	—	—	2,405,616	2,405,616	2,405,616	2,405,616
<u>Total changes during the period</u>	—	183,659	183,659	(121,380)	62,278	62,278	62,278
Balance as of December 31, 2017	125,148,412	183,659	183,659	2,405,786	2,589,445	127,737,857	127,737,857

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, 2017	December 31, 2017
Unappropriated retained earnings	2,527,166,823	2,405,786,142
Cash distribution declared	2,343,337,500	2,405,628,750
(Cash distribution declared per unit)	(7,900)	(8,110)
Voluntary reserve		
Provision of reserve for reduction entry	183,659,375	—
Retained earnings carried forward	169,948	157,392

Note:

For the six months ended June 30, 2017

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, the Investment Corporation transferred a portion of unappropriated retained earnings calculated based on Article 65-7 of the Special Taxation Measures Act of Japan to reserve for reduction entry and declared a total of ¥2,343,337,500 for cash distributions which is all of the remaining unappropriated retained earnings 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.

For the six months ended December 31, 2017

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 December 31, 2017 were ¥2,405,628,750 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, 2017	December 31, 2017
Net cash provided by (used in) operating activities:		
Income before income taxes	2,527,934	2,406,495
Depreciation and amortization	1,279,622	1,256,830
Amortization of long-term prepaid expenses	102,742	96,184
Amortization of investment unit issuance costs	20,475	23,429
Amortization of investment corporation bonds issuance costs	3,006	4,439
Interest income	(70)	(82)
Interest expenses	419,219	416,106
Gain on donation of noncurrent assets	—	(5,559)
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(105,661)	93,937
Decrease (increase) in consumption taxes refundable	(333,562)	333,562
Increase (decrease) in consumption taxes payable	(39,956)	305,930
Increase (decrease) in operating accounts payable	214,308	(97,940)
Increase (decrease) in accounts payable—other	36,675	(284,180)
Increase (decrease) in advances received	105,850	(7,413)
Decrease (increase) in prepaid expenses	(1,636)	4,358
Payments of long-term prepaid expenses	(70,794)	(147,322)
Decrease in property, plant and equipment in trust due to disposition	10,256,686	—
Other, net	(34,868)	24,882
Subtotal	14,379,970	4,423,657
Interest income received	70	82
Interest expenses paid	(404,499)	(422,778)
Income taxes paid	(648)	(7,256)
Net cash provided by operating activities	13,974,892	3,993,704
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment in trust	(32,849,528)	(761,653)
Purchases of intangible assets	(317)	—
Proceeds from tenant leasehold and security deposits	4,725,260	628,443
Proceeds from tenant leasehold and security deposits in trust	1,519,138	2,392
Payments of tenant leasehold and security deposits	(632,817)	(493,256)
Payments of tenant leasehold and security deposits in trust	(4,438,212)	(197,054)
Proceeds from restricted bank deposits in trust	3,059,051	29
Payments for restricted bank deposits in trust	—	(46)
Net cash used in investing activities	(28,617,425)	(821,144)
Net cash provided by (used in) financing activities:		
Increase in short-term loans payable	10,000,000	—
Repayments of short-term loans payable	(10,000,000)	—
Proceeds from long-term loans payable	8,000,000	13,675,000
Repayments of long-term loans payable	(125,000)	(13,675,000)
Proceeds from investment corporation bonds – unsecured	2,968,297	—
Proceeds from issuance of investment units	9,852,167	—
Dividends paid	(1,977,437)	(2,341,199)
Net cash provided (used) by financing activities	18,718,027	(2,341,199)
Net change in cash and cash equivalents	4,075,493	831,360
Cash and cash equivalents at beginning of period	11,207,036	15,282,529
Cash and cash equivalents at end of period (Note 5)	15,282,529	16,113,890

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.....	2-50 years
Machinery and equipment.....	11 years
Tools, furniture and fixtures	2-15 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.

Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥136,330 thousand for the six months ended June 30, 2017. No taxes on property, plant and equipment were capitalized for the six months period ended for December 31, 2017.

(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) Change in presentation in the statements of cash flows

"Increase (decrease) in accounts payable—other" in the net cash provided by operating activities which was included in "Other, net" until the six months ended June 30, 2017, is classified and stated as a separate item from the six months ended December 31, 2017 due to the increase of significance of the amount.

As a result, "Other, net" amounting to ¥1,807 thousand in the net cash provided by operating activities for the six months ended June 30, 2017 was reclassified to "Increase (decrease) in accounts payable—other" amounting to ¥36,675 thousand and "Other, net" amounting to (¥34,868) thousand.

(9) 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, 2017	December 31, 2017
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 units

	As of	
	June 30, 2017	December 31, 2017
Authorized	2,000,000 units	2,000,000 units
Issued and outstanding	296,625 units	296,625 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 – Commitment line

As of June 30, 2017 and December 31, 2017, the Investment Corporation entered into committed lines of credit with Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as follows:

(Thousands of yen)

	As of	
	June 30, 2017	December 31, 2017
Total amount of committed lines of credit	15,000,000	15,000,000
Borrowings drawn down	—	—
Unused committed lines of credit	15,000,000	15,000,000

Note 4 – Rental business revenue and expenses

Revenue and expenses related to property rental business for the six months ended June 30, 2017 and December 31, 2017 consist of the following:

(Thousands of yen)

	For the six months ended	
	June 30, 2017	December 31, 2017
Rental business revenue:		
Rent revenue—real estate:		
Rental revenue	5,549,522	5,630,178
Common area charges	1,070,569	1,124,484
Other	205,247	207,943
Total rent revenue—real estate	6,825,340	6,962,607
Other rental business revenue:		
Utilities	446,270	454,228
Cancellation penalty	—	9,222
Other	89,351	46,604
Total other rental business revenue	535,622	510,054
Total rental business revenue	7,360,963	7,472,662
Expenses related to rental business:		
Property management fees	868,352	851,615
Utilities	629,206	719,493
Property-related taxes	644,725	594,895
Insurance	11,218	11,094
Repair and maintenance	418,944	367,361
Depreciation	1,279,622	1,256,830
Other	72,697	77,874
Total expenses related to rental business	3,924,768	3,879,165
Operating income from property leasing activities	3,436,194	3,593,496

Note 5 – Gain or loss on sales of property

Analysis of gain or loss on sales of property for the six months ended June 30, 2017 is as follows:

(Thousands of yen)

	For the six months ended June 30, 2017	
	MID	
	Midosuji MID Bldg.	Midosujikawaramachi Bldg.
Sale of property	9,000,000	1,700,000
Cost of property	8,351,018	1,905,668
Other sales expenses	91,511	20,191
Gain (loss) on sales of property, net	557,469	(225,860)

There was no gain or loss on sales of property for the six months ended December 31, 2017.

Note 6 – 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, 2017	December 31, 2017
Cash and bank deposits	9,911,529	11,031,348
Cash and bank deposits in trust	5,535,252	5,246,810
Restricted bank deposits in trust ⁽¹⁾	(164,251)	(164,268)
Cash and cash equivalents	15,282,529	16,113,890

Note:

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

Note 7 – 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, 2017 and December 31, 2017 scheduled to be received are summarized as follows:

(Thousands of yen)

	As of	
	June 30, 2017	December 31, 2017
Due within one year	3,457,734	4,107,200
Due after one year	5,502,175	10,996,022
Total	8,959,910	15,103,223

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of June 30, 2017 and December 31, 2017 are as follows:

(Thousands of yen)

	As of	
	June 30, 2017	December 31, 2017
Due within one year	6,036	6,036
Due after one year	16,599	13,581
Total	22,635	19,617

Note 8 – 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, 2017 and December 31, 2017.

(Thousands of yen)

	As of					
	June 30, 2017			December 31, 2017		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	9,911,529	9,911,529	—	11,031,348	11,031,348	—
(2) Cash and bank deposits in trust	5,535,252	5,535,252	—	5,246,810	5,246,810	—
Total assets	15,446,781	15,446,781	—	16,278,159	16,278,159	—
(3) Current portion of long-term loans payable	13,675,000	13,703,617	28,617	15,300,000	15,369,334	69,334
(4) Investment corporation bonds – unsecured	6,000,000	5,976,950	(23,050)	6,000,000	6,000,550	550
(5) Long-term loans payable	85,300,000	85,933,573	633,573	83,675,000	84,390,589	715,589
Total liabilities	104,975,000	105,614,141	639,141	104,975,000	105,760,474	785,474
(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 9 - Derivative instruments.”

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

	As of	
	June 30, 2017	December 31, 2017
Investment securities	5,085,027	5,085,027
Tenant leasehold and security deposits	12,299,221	12,726,537
Tenant leasehold and security deposits in trust	358,930	164,268

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

As of June 30, 2017	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	9,911,529	-	-	-	-	-
Cash and bank deposits in trust	5,535,252	-	-	-	-	-
Total	15,446,781	-	-	-	-	-

As of December 31, 2017	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	11,031,348	-	-	-	-	-
Cash and bank deposits in trust	5,246,810	-	-	-	-	-
Total	16,278,159	-	-	-	-	-

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

As of June 30, 2017	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	13,675,000	15,300,000	23,750,000	19,600,000	12,950,000	13,700,000
Investment corporation bonds – unsecured	-	-	-	1,500,000	1,000,000	3,500,000

As of December 31, 2017	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term loans payable	15,300,000	15,200,000	22,850,000	14,250,000	9,900,000	21,475,000
Investment corporation bonds – unsecured	-	-	-	1,500,000	1,000,000	3,500,000

Note 9 – Derivative instruments

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

As of June 30, 2017

As of June 30, 2017						
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	-

As of December 31, 2017

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	31,100,000	26,300,000	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 8 - Financial instruments (b) Quantitative information for financial instruments”.

Note 10 – Related-party transactions

The following tables show related-party transactions for the six months ended June 30, 2017.

For the six months ended June 30, 2017:

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
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⁾	420,300 ⁽⁴⁾	—	—

Notes:

- (1) The terms and conditions of payment of the asset management fee have been based on the Investment Corporation's articles of incorporation.
- (2) The transaction amounts exclude consumption taxes and the balance amounts include those taxes.
- (3) Katsura Matsuo resigned from President & CEO & Representative Director of the Asset Manager on June 1, 2017 and Executive officer of the Investment Corporation on June 2, 2017.
- (4) Payments of the asset management fee for the six months ended June 30, 2017 are comprised of ¥107,000 thousand of asset management fees relating to sale of property charged to income as other sales expenses and ¥313,300 thousand of acquisition fees capitalized as part of the acquisition cost of properties.

There was no related-party transaction to be disclosed for the six months ended December 31, 2017.

Note 11 – Segment information

Segment information for the six months ended June 30, 2017 and December 31, 2017 is as follows:

(a) Operating segment information

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

(b) Enterprise-wide disclosures

(i) Information about products and services

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

(ii) Information about geographic areas

Revenues from overseas customers:

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

Tangible fixed assets:

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

(c) Information about major customers

Name of customer	Revenues for the six months ended		Relating segment
	June 30, 2017	December 31, 2017	
Panasonic Corporation	923,050	977,312	Property rental business
AEON Retail Co., Ltd.	726,000	726,000	Property rental business

Note 12 – 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, 2017 December 31, 2017.

(Thousands of yen)

	As of / For the six months ended	
	June 30, 2017	December 31, 2017
Net book value		
Balance at the beginning of the period	205,528,279	226,924,906
Net increase (decrease) during the period ⁽¹⁾	21,396,626	(439,634)
Balance at the end of the period	226,924,906	226,485,272
Fair value ⁽²⁾	222,040,000	226,900,000

Notes:

(1) For the six months ended June 30, 2017:

Changes in the net book value are mainly due to increase by the following acquisitions or other capital expenditures and decrease by the following disposition or depreciation.

		Increase (decrease) in net book value
		(Thousands of yen)
Acquisitions:	Shibuya Sakuragaoka Square (additional acquisition)	12,545,105
	Sasazuka Center Bldg.	9,124,855
	Sendai Capital Tower	5,622,900
	USC Bldg.	5,197,310
Disposition:	Midosuji MID Bldg.	(8,351,018)
	MID Midosujikawaramachi Bldg.	(1,905,668)

For the six months ended December 31, 2017:

Changes in the net book value 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, 2017 and December 31, 2017, please refer to “Note 4 – Rental business revenue and expenses.”

Note 13 – Per unit information

The Investment Corporation executed a five-for-one unit split (the “Unit Split”) with December 31, 2017 as the record date and January 1, 2018 as the effective date for the Unit Split. Following table shows pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on January 1, 2017.

(Yen)

	For the six months ended	
	June 30, 2017	December 31, 2017
Pro forma net asset value per unit	86,085	86,127
Pro forma net income per unit	1,763	1,621

The pro forma net income per unit is calculated by dividing the net income attributable to unitholders by the adjusted weighted average number of units outstanding during the six-month period as if the Unit Split had been effective on January 1, 2017. The Investment Corporation has no potentially dilutive units.

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

(Thousands of yen)

	For the six months ended	
	June 30, 2017	December 31, 2017
Net income	2,527,032	2,405,616
Effect of dilutive units	—	—
Net income attributable to unitholders	2,527,032	2,405,616
Adjusted weighted-average number of units outstanding for the period	1,432,979 units	1,483,125 units

Note 14 – Subsequent events

Unit split

The Investment Corporation executed the Unit Split with December 31, 2017 as the record date and January 1, 2018 as the effective date for the Unit Split.

(1) Purpose of the Unit Split

The Investment Corporation executed the Unit Split as part of unitholders value improvement with the intention of expanding investors and improving liquidity of investment units through improvement of an investment environment by reducing the market price per investment with the Unit Split, considering development of the Nippon Individual Savings Account program, etc.

(2) Split method

Each unit owned by unitholders listed in the final unitholders register on December 31, 2017 was split into five units.

(3) Number of units increased by the Unit Split

- 1) Number of outstanding units of the Investment Corporation before the Unit Split: 296,925 units
- 2) Number of units increased by the Unit Split: 1,186,500 units
- 3) Number of outstanding units of the Investment Corporation after the Unit Split: 1,483,425 units
- 4) Number of authorized units of the Investment Corporation after the Unit Split: 10,000,000 units

For Pro forma per unit information which has been adjusted to reflect the Unit Split as if it had been effective on January 1, 2017, please refer to “Note 13 – Per unit information.”

Issuance of new investment units

The Board of Directors of the Investment Corporation, at its meeting held on January 29, 2018 and February 7, 2018, resolved to issue new investment units as follows. As a result of the Issuance of new investment units through public offering, unitholders' capital increased to ¥135,887,212,150 and number of investment units issued and outstanding increased to 1,635,125 units on February 15, 2018. The issuance of new investment units through the third-party allotment scheduled on March 9, 2018.

(a) Issuance of new investment units through public offering:

Number of new investment units to be issued: 152,000 units
Offer price: ¥73,125 per unit
Total offering amount: ¥11,115,000,000
Issue value (amount to be paid in): ¥70,650 per unit
Total amount to be paid in: ¥10,738,800,000
Payment date: February 15, 2018

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

Number of new investment units to be issued: 8,000 units
Issue value (amount to be paid in): ¥70,650 per unit
Total amount to be paid in: ¥565,200,000
Payment date: March 9, 2018
Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

There may be cases where there will be no subscription for the investment units offered in the third-party allotment in whole or in part, and the final number of investment units placed under the third-party allotment may accordingly decrease to that extent due to forfeiture, or such allotment itself may not take place at all.

(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 of properties

The Investment Corporation acquired (or decided to acquire) following properties for the six months ending June 30, 2018.

Name of property	Acquisition price (or planned acquisition price) (Millions of yen) (Note 1)	Acquisition date
Properties acquired:		
USC Bldg. (additional acquisition) (Note2)	5,800	February 16, 2018
Yoshiyasu Kanda Bldg.	4,000	February 16, 2018
Properties to be acquired:		
SSP Bldg.	9,200	Scheduled on March 1, 2018
M-City Akasaka 1-chome Bldg.	4,205	Scheduled on March 1, 2018
Total	23,205	

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 approximately 54% quasi co-ownership interest of USC Bldg., and then has owned all the land and building of this property by the additional acquisition of approximately 46% quasi co-ownership interest of the land with leasehold interest and the building of this property.

New debt financing

The Investment Corporation decided to obtain following debt financing for acquiring new properties stated above.

	Lender(s)	Amount outstanding (Millions of yen)	Debt term	Interest rate	Contract date	Borrowing date	Method of borrowing, repayment of principal	Maturity date
Loan 1	Mizuho Bank, Ltd. Development Bank of Japan, Inc.	2,700	8 years	Fixed rate (Note 1)	January 29, 2018	February 28, 2018	Unsecured and unguaranteed, lump sum repayment	February 27, 2026
Loan 2	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,200	7 years	Fixed rate (Note 1)				February 28, 2025
Loan 3	Aozora Bank, Ltd., The Nishi-Nippon City Bank, Ltd., The Bank of Fukuoka, Ltd.	2,700	7 years	Fixed rate (Note 1)				February 28, 2023
Loan 4	Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation	2,400	5 years	Floating rate (JBA 3-month yen TIBOR) + 0.30%				February 28, 2019
Loan 5	Mizuho Bank, Ltd.	2,000	1 years	Floating rate (JBA 1-month yen TIBOR) + 0.17%				February 28, 2019

Note 1: Interest rates applied to Loan 1, 2 and 3 will be determined based on the loan agreements and notified before borrowing date.

Note 15 – 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 16 – Omission of disclosure

Note relating to tax effect accounting, retirement benefits and asset retirement obligations are omitted as immaterial.

Note 17 – Changes in unit issued and outstanding

There was no change in unitholders' capital for the six months ended December 31, 2017. 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
February 28, 2017	Public offering	29,100	295,125	9,419	124,662	Note 7
March 27, 2017	Allocation of investment units to a third party	1,500	296,625	485	125,148	Note 8

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.

Note 7 New investment units were issued at a price of ¥335,400 per unit (subscription price of ¥323,704 per unit) through a public offering in order to raise funds for acquiring new property.

Note 8 New investment units were issued at a price of ¥323,704 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on February 28, 2017.

Note 9 The Investment Corporation implemented a split of its investment units on a five-for-one basis with December 31, 2017 as the record date and January 1, 2018 as the effective date for the unit split. Number of outstanding units of the Investment Corporation after the unit split is 1,483,125 units.

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, 2017		As of December 31, 2017	
				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)	82,165	33.0	82,058	33.0
			Osaka metropolitan area (Note 2)	110,624	44.5	110,457	44.4
		Other areas		5,607	2.3	5,595	2.2
	Other	Three major metropolitan areas	Tokyo metropolitan area (Note 2)	23,954	9.6	23,839	9.6
			Osaka metropolitan area (Note 2)	2,413	1.0	2,394	1.0
		Other areas		2,159	0.9	2,139	0.9
	Sub-total			226,924	91.2	226,485	91.0
Investments in Tokumei Kumiai agreement (Note 3)			5,085	2.0	5,085	2.0	
Bank deposits and other assets			16,811	6.8	17,266	6.9	
Total assets			248,821	100.0	248,837	100.0	
Total liabilities			121,146	48.7	121,099	48.7	
Total net assets			127,675	51.3	127,737	51.3	

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, 2017 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	2.0

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, 2017 were as follows:

Investment category	Investment area		Property Number	Name of property	Location (Note 1)	Form of ownership	Net book value (Note 2) (Millions of yen)	Appraisal value at end of period (Note 3) (Millions of yen)	Leasable area (Note 4) (m ²)	Leased area (Note 5) (m ²)	Occupancy ratio (Note 6) (%)
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	7,647	8,300	6,858.16	6,858.16	100.0
			OT-2	G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	12,246	14,500	5,011.74	5,011.74	100.0
			OT-3	Shibuya Sakuragaoka Square	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	17,506	19,500	6,379.66	6,379.66	100.0
			OT-4	Yokohama Creation Square	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	7,075	7,960	12,720.94	11,118.25	87.4
			OT-5	Cube Kawasaki	1-14 Nishin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	20,474	22,300	24,494.06	24,494.06	100.0
			OT-6	Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	2,838	3,030	3,254.77	3,254.77	100.0
			OT-7	Sasazuka Center Bldg.	2-1-6, Sasazuka, Shibuya-ku, Tokyo	Trust beneficial interest	9,095	9,290	8,219.90	7,032.47	85.6
			OT-8	USC Bldg. (Note 7)	4-11-38, Toyo, Koto-ku, Tokyo	Trust beneficial interest	5,175	5,230	5,781.98	5,781.98	100.0
		Osaka metropolitan area	OO-1	Twin 21	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	66,131	54,500	82,304.84	80,477.00	97.8
			OO-2	Matsushita IMP Bldg.	1-3-7 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	22,573	21,700	37,299.95	32,347.84	86.7
			OO-4	MID REIT Kyobashi Bldg.	1-5-14 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	2,076	1,460	4,833.88	4,833.88	100.0
			OO-5	MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	3,114	2,330	4,277.63	4,277.63	100.0
			OO-7	Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	10,365	9,290	10,189.49	10,189.49	100.0
			OO-8	MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	3,356	2,180	3,881.74	3,881.74	100.0
			OO-9	Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	2,839	3,620	4,655.57	4,493.17	96.5
		Other area	OR-1	Sendai Capital Tower	4-10-3, Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	5,595	6,510	12,999.51	12,372.14	95.2
		Sub total					198,111	191,700	233,163.82	222,803.98	95.6
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	23,839	28,400	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	2,394	3,380	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	2,139	3,420	5,554.91	5,554.91	100.0
	Sub total						28,373	35,200	116,351.61	116,351.61	100.0
	Total						226,485	226,900	349,515.43	339,155.59	97.0

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, 2017 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, 2017. For quasi co-owned properties, the leasable area is calculated by multiplying total area of the property by quasi co-ownership ratio of the trust beneficiary interest.

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, 2017. For quasi co-owned properties, the leased area is calculated by multiplying total area of the property by quasi co-ownership ratio of the trust beneficiary interest.

Note 6 "Occupancy ratio" is presented as percentage figures, which are obtained by dividing the leased area as of December 31, 2017 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 50/108 of the trust beneficial interest in USC Bldg.

Note 8 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, 2017 were as follows:

Investment category	Investment area	Property Number	Name of property	For the six months ended							
				June 30, 2017				December 31, 2017			
				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	100.0	231,856	3.4	8	100.0	280,691	4.0
			OT-3 Shibuya Sakuragaoka Square	4	100.0	302,306	4.4	4	100.0	343,195	4.9
			OT-4 Yokohama Creation Square	38	88.1	294,053	4.3	39	87.4	294,408	4.2
			OT-5 Cube Kawasaki	9	91.1	570,177	8.4	10	100.0	573,827	8.2
			OT-6 Higashi-Nihombashi Green Bldg.	7	100.0	77,546	1.1	7	100.0	71,485	1.0
			OT-7 Sasazuka Center Bldg.	7	73.4	110,352	1.6	8	85.6	218,380	3.1
			OT-8 USC Bldg. (Note 7)	8	100.0	64,986	1.0	8	100.0	138,090	2.0
		Osaka metropolitan area	OO-1 Twin 21	106	98.2	2,117,716	31.0	105	97.8	2,130,688	30.6
			OO-2 Matsushita IMP Bldg.	58	98.3	956,909	14.0	55	86.7	917,688	13.2
			OO-3 Midosuji MID Bldg. (Note 8)	—	—	116,260	1.7	—	—	—	—
			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.	19	95.2	85,576	1.3	21	100.0	89,074	1.3
			OO-6 Midosujikawaramachi Bldg. (Note 8)	—	—	28,644	0.4	—	—	—	—
			OO-7 Kitahama MID Bldg.	10	98.7	278,211	4.1	11	100.0	274,560	3.9
			OO-8 MID Nishihommachi Bldg.	17	97.0	81,596	1.2	18	100.0	74,551	1.1
			OO-9 Higobashi MID Bldg.	11	96.5	101,133	1.5	11	96.5	105,667	1.5
		Other area	OR-1 Sendai Capital Tower	85	98.8	205,758	3.0	82	95.2	245,562	3.5
		Sub total		390	96.2	—	—	390	95.6	—	—
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1 AEON MALL Tsudanuma	1	100.0	726,000	10.6	1	100.0	726,000	10.4
		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			394	97.5	6,825,340	100.0	394	97.0	6,962,607	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 under each agreement, the tenant is counted for each property and totaled. When a single tenant rents multiple unit in a single property, the count is as one tenant. For a pass-through master leased property, the tenant is counted on an end-tenant basis assuming that all of end-tenants have been agreed that the lessee of the pass-through master lease agreement is lessor for them. 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, 2017 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 Other rental business revenues (Utilities, cancellation penalty and other) which were included in "Rental revenues" until the six months ended June 30, 2017 are excluded from the six months ended December 31, 2017. "Rental revenues" for the six months ended June 30, 2017 in the above table are restated excluding other rental business revenues. "Rental revenues" including other rental business revenues for the six months ended June 30, 2017 were as follows:

Sumitomo Fudosan Ueno Bldg. No.6 (Note 6), G-Square Shibuya Dogenzaka ¥257,146 thousand, Shibuya Sakuragaoka Square ¥322,596 thousand, Yokohama Creation Square ¥314,781 thousand, Cube Kawasaki ¥619,114 thousand, Higashi-Nihombashi Green Bldg. ¥86,209 thousand, Sasazuka Center Bldg. ¥128,669 thousand, USC Bldg. ¥71,372 thousand, Twin 21 ¥2,280,197 thousand, Matsushita IMP Bldg. ¥1,048,165 thousand, Midosuji MID Bldg. ¥129,442 thousand, MID REIT Kyobashi Bldg. (Note 6), MID Imabashi Bldg. ¥92,519 thousand, MID Midosujikawaramachi Bldg. ¥31,731 thousand, Kitahama MID Bldg. ¥316,562 thousand, MID Nishihommachi Bldg. ¥91,304 thousand, Higobashi MID Bldg. ¥112,175 thousand, Sendai Capital Tower ¥249,099 thousand, AEON MALL Tsudanuma ¥726,000 thousand, Konami Sports Club Kyobashi (Note 6), Dormy Inn Hakata Gion (Note 6), Total ¥7,360,963 thousand

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.

Note 7 The Investment Corporation owns 50/108 of the trust beneficial interest in USC Bldg.

Note 8 Midosuji MID Bldg. and MID Midosujikawaramachi Bldg. were sold on March 27, 2017.

Note 9 Amounts less than one thousand yen are rounded down.