

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

<http://www.midcity-reit.com/en/>

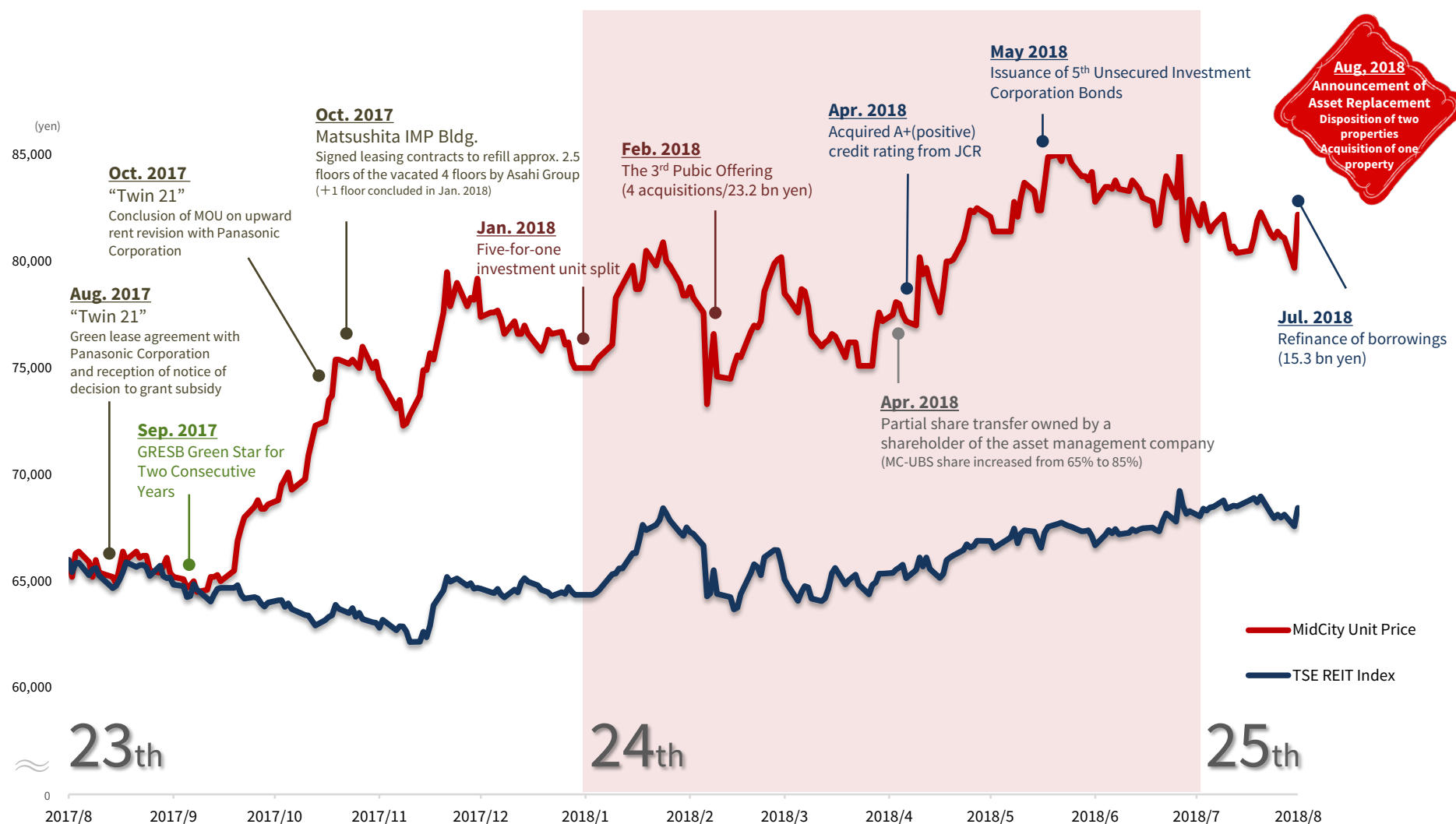
24th Period

INVESTOR PRESENTATION

Fiscal Period ended June 30, 2018

Securities Code **3227**

Key Events in the Past Year (Aug. 2017~Aug. 2018)



Source : S&P Capital IQ, from August 1, 2017 to July 31, 2018

*TSE REIT Index is indicated as a transition of a relative value under the assumption that closing price (1,705.4pt) of TSE REIT Index as of August 1, 2017 is the same as the closing price (66,000 yen) of MCUBS MidCity investment unit price on the same day.

1. Results Overview for the 24th Period Ended June 30, 2018

- DPU of 1,684 yen beat the forecast by 19 yen
- Occupancy increased from 97.0% to 98.1%
- Newly acquired credit rating of A+ (positive) from JCR
- Acquired 4 new properties through public offering and new borrowings



DPU of 1,684 yen Beat the Forecast by 19 yen

	Fiscal period ended Jun. 30, 2018 (24 th Period)	Difference from previous period	Difference from forecasts*
Operating revenues	7,924 mn. yen	+ 313 mn. yen (+ 4.1%)	+ 35 mn. yen (+ 0.4%)
Operating income	3,368 mn. yen	+ 385 mn. yen (+ 12.9%)	+ 28 mn. yen (+ 0.8%)
Net income	2,767 mn. yen	+ 362 mn. yen (+ 15.1%)	+ 30 mn. yen (+ 1.1%)
Total distributions	2,767 mn. yen	+ 361 mn. yen (+ 15.0%)	+ 31 mn. yen (+ 1.1%)
Distribution per unit	1,684 yen	+ 62 yen (+ 3.8%)	+ 19 yen (+ 1.1%)

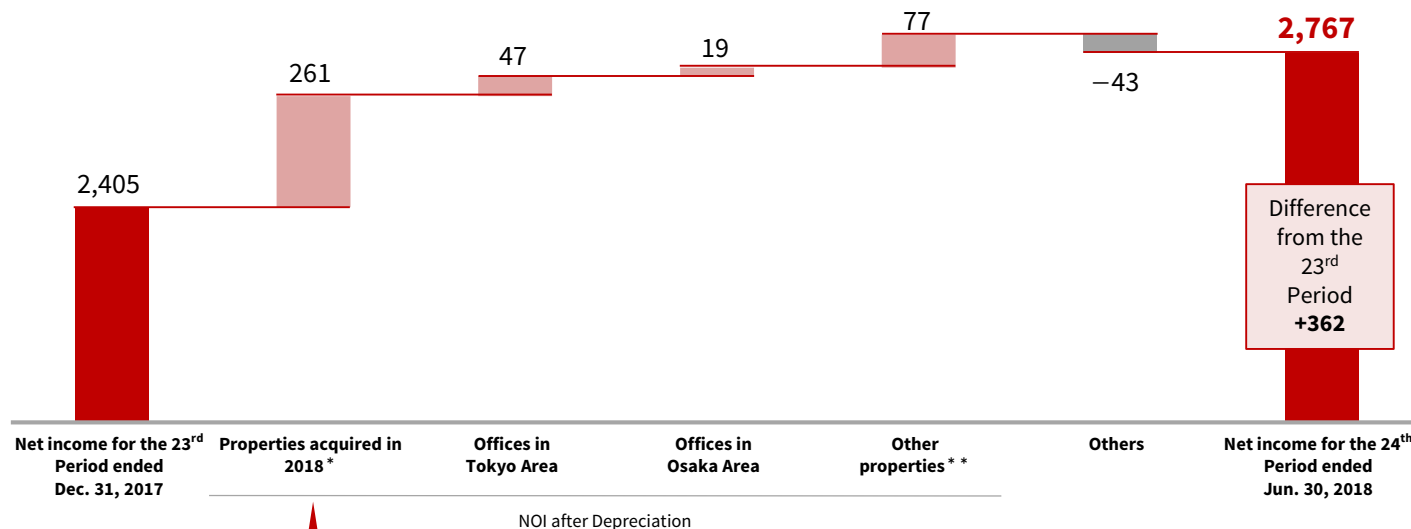
* Compared to the estimates in "The 23rd Fiscal Period Summary Of Financial Results" as of February 20, 2018. Based on the investment unit split with the effective date on January 1, 2018, the comparison in distribution per unit from previous period is based on one-fifth of the actual distribution per unit (rounded down) for the previous fiscal period

Profit Growth Both from Existing and New Properties



Breakdown of Net Income Changes for the 24th Period vs. the 23rd Period

(mn. yen)



Properties acquired: Total 23,205 mn. yen (Feb.–Mar. 2018)



USC Bldg.
(quasi co-ownership
interest of approx. 54%)
<Koto-ku, Tokyo>



Yoshiyasu Kanda
Bldg.
<Chiyoda-ku, Tokyo>



TOYOTA MOBILITY
SERVICE Bldg.
<Chuo-ku, Tokyo>



M-City Akasaka
1-chome Bldg.
<Minato-ku, Tokyo>

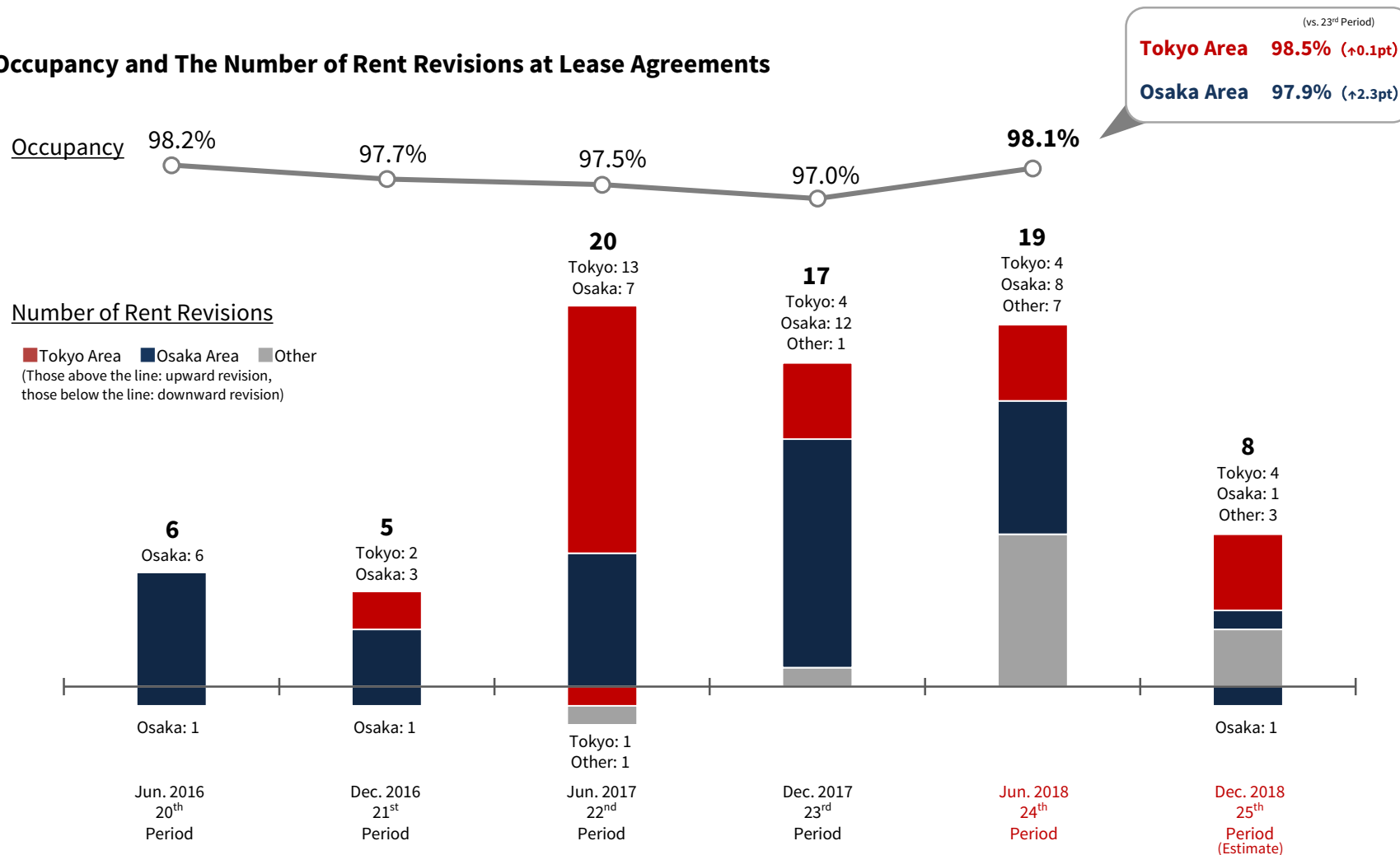
* In "Properties acquired in 2018", the increase/decrease for the 46% of quasi co-ownership interest already owned by MCUBS MidCity is included.

** Including dividends received from SPC backed by Nagoya Lucent Tower.

High Occupancy and A Spate of Upward Rent Revisions



Occupancy and The Number of Rent Revisions at Lease Agreements



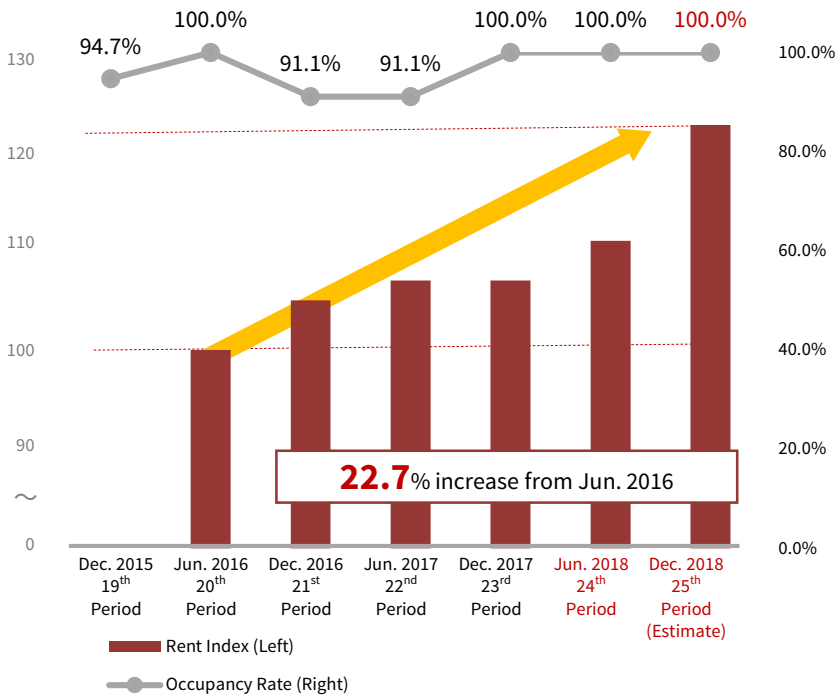
* The number of rent revisions for Dec. 2018 (25th Period) is based on the number of determined rent revisions as of the end of Jun. 2018.

Revenue Expansion Through Internal Growth



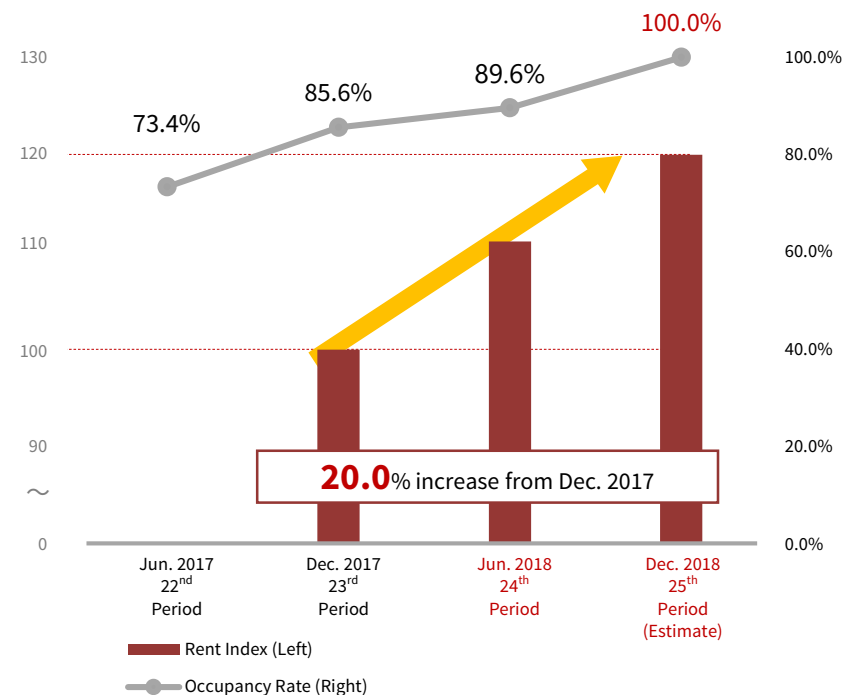
Cube Kawasaki (Acquired in August 2015)

Rental revenue increased due to tenant replacement and upward rent revision



Sasazuka Center Bldg. (Acquired in March 2017)

Increased rental revenue by raising occupancy



* For Dec. 2018 25th Period (Estimate), occupancy is based on lease agreement as of the end of June 2018. For rental index, Cube Kawasaki rental revenue as of the fiscal period ended June 30, 2016 is indexed to 100, and Sasazuka Center Bldg. rental revenue as of the fiscal period ending December 31, 2017 is indexed to 100, based on rental revenue (rent + common area fees) indicated in lease agreement as of the fiscal period ended June 30, 2018.

Newly acquired credit rating of A+ (positive) from JCR



Enhanced credit by obtaining new rating

Obtained new long-term issuer rating of A+ (positive) from Japan Credit Rating Agency (JCR) on April 9, 2018

	Before main sponsor change (As of the end of Period ended Dec. 31, 2014)	After main sponsor change		
		Oct. 2015 Change in outlook	Oct. 2016 Upgrade	Apr. 2018 Acquired new rating
Rating & Investment Information, Inc. (R&I)	A- (Stable)	A- (Positive)	A (Stable)	—
Japan Credit Rating Agency (JCR)	—	—	—	A+ (Positive)

Continue to aim for further upgrade



Issuance of Investment Co. Bonds for three consecutive years in May 2018

Issuance of investment co. bonds (The 5th Unsecured Investment Corporation Bond) on May 29, 2018

	2 nd Co. Bonds (2016)	4 th Co. Bonds (2017)	5 th Co. Bonds (May 2018)
Term	10 years	10 years	10 years
Total amount issued	1.5 bn. yen	2.0 bn. yen	2.0 bn. yen
Interest rate	0.81%	0.67%	0.59%

<Reference> REITs' Issuance of Co. Bonds (April to June, 2018)

Pricing Date	REIT	Term (years)	Total amount issued (bn. yen)	Interest rate (%)
Apr. 2018	Diversified (JCR:A)	10	1.0	0.70
Apr. 2018	Retail (JCR:A+)	10	2.0	0.70
Apr. 2018	Office (JCR:A-)	10	1.0	0.90
Apr. 2018	Diversified (JCR:A)	10	1.0	0.70
May 2018	Diversified (JCR:A)	10	1.0	0.80
May 2018	MCUBS MidCity	10	2.0	0.59
May 2018	Diversified (R&I:AA-)	10	3.0	0.55

2. Actions in the 25th Period

- Asset replacement through disposition of two properties
- Acquiring one new property
- Reinforced financial stability through refinancing



<List of Asset Replacement>



Assets to be Disposed	Planned Disposition Price	Book Value	Difference between Planned Disposition Price and Book Value	NOI yield	NOI yield after depreciation	Planned Disposition Date
Matsushita IMP Bldg. (Chuo-ku, Osaka)	27.0 bn. yen	22.4 bn. yen	+ 4.5 bn. Yen	4.1%	1.8%	September 5, 2018 (55% quasi co-ownership) March 8, 2019 (45% quasi co-ownership)
MID REIT Kyobashi Bldg. (Miyakojima-ku, Osaka)	1.7bn. yen	2.0 bn. yen	−0.3 bn. Yen	3.4%	2.1%	September 4, 2018
Total/Average	28.7bn. yen	24.4 bn. yen	+ 4.2 bn. Yen	4.1%	1.8%	—



Asset to be Acquired	Planned Acquisition Price	Appraisal Value	Unrealized gain	NOI yield	NOI yield after depreciation	Planned Acquisition Date
Yokohama i-land Tower (Naka-ku, Yokohama)	22.1 bn. yen	23.7bn. yen	+1.6 bn. yen	5.0%	4.0%	September 14, 2018

Executed Strategic Asset Replacement at the Best Timing



Rationale for asset replacement



Matsushita IMP Bldg.

- Asset value enhanced after refilling large vacant space
- Brisk real estate trading market offered an opportunity for favorable disposition

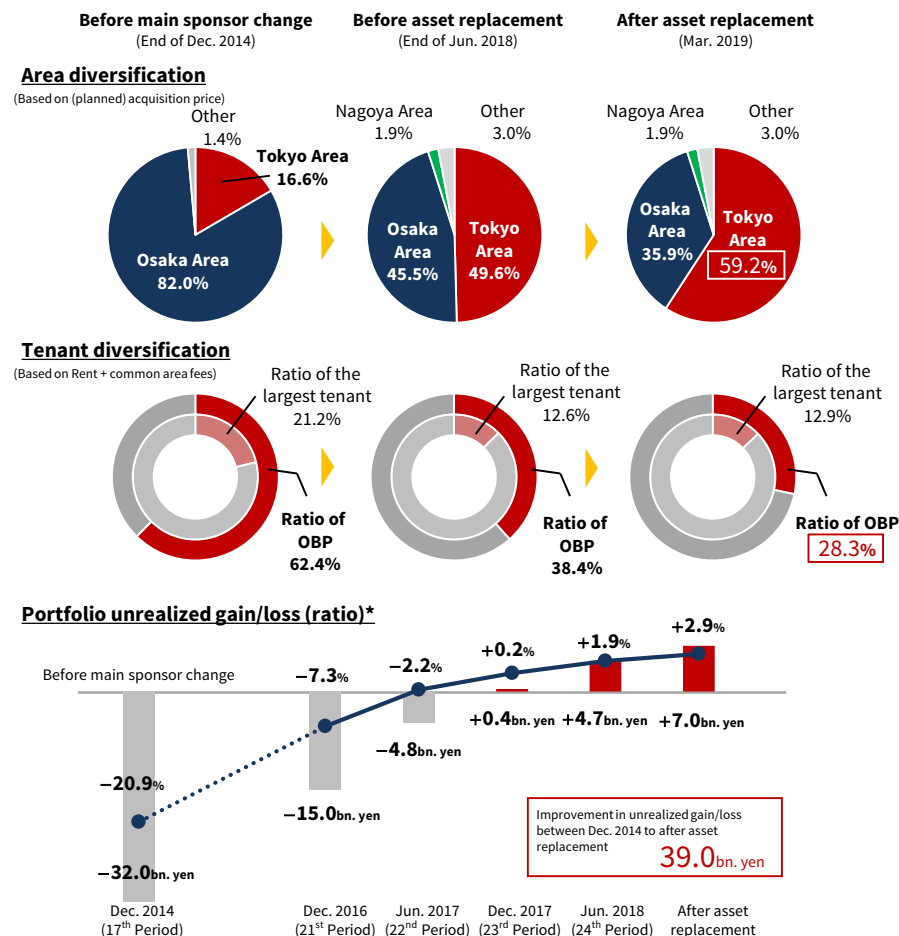


MID REIT Kyobashi Bldg.

- Disposition of this asset with lower NOI yield after depreciation would bring effective improvement in portfolio profitability
- Disposition price was higher than appraisal value, whereas the disposition losses can be offset by gains from Matsushita IMP Bldg.



Improvement in Portfolio Risk



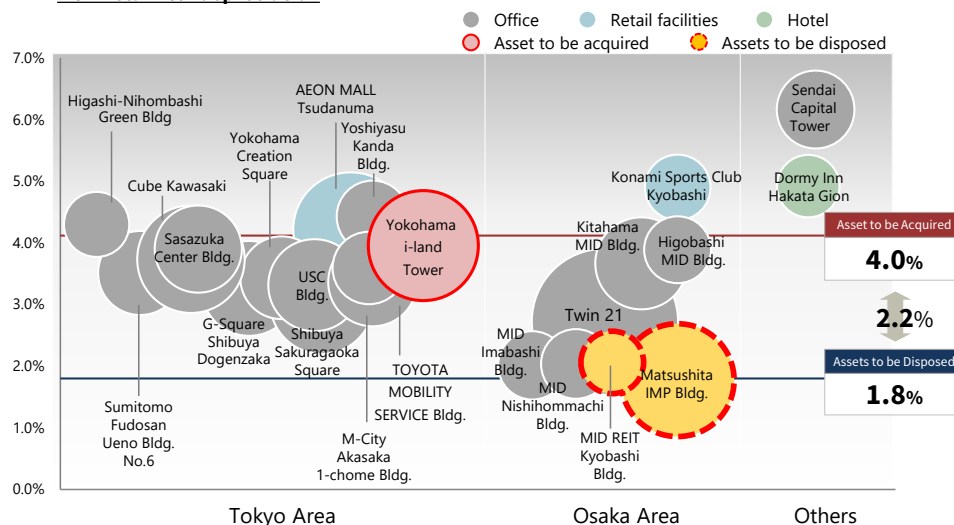
* "Unrealized gain/loss" refers to the sum of difference between appraisal value and book value of each portfolio property as of the end of each period. The "unrealized gain" after asset replacement is the sum of total unrealized gain for the entire portfolio properties as of the end of the 24th Period (excluding assets to be disposed) and the unrealized gain on the asset to be acquired. "Unrealized gain/loss ratio" refers to the ratio of total unrealized gain/loss for the entire portfolio properties to the total book value of the entire portfolio properties as at the end of each period. The same shall apply hereafter.

Unitholder Value Enhanced through Asset Replacement

Enhancement in Portfolio Profitability

	Fiscal Period ended Dec. 31, 2014 <small>Before main sponsor change</small>	Fiscal Period ended Jun. 30, 2018	Assets to be Disposed (2 properties)	Asset to be Acquired (1 property)	After Asset Replacement
Average NOI yield	4.0%	4.3%	4.1%	5.0%	4.4%
NOI yield After depreciation	2.6%	3.2%	1.8%	4.0%	3.5%

NOI Yield After depreciation



Strategic Utilization of Disposition Gains ~Unitholder return and accumulation of internal reserves~

Scheduled to dispose Matsushita IMP Bldg. in two parts. Gain on disposition to be partly paid out as distribution and partly retained for future stable distribution

Fiscal period ending Dec. 31, 2018 (25 th Period)				Fiscal period ending Jun. 30, 2019 (26 th Period)			
Disposition	Total 16.55 bn. yen	Matsushita IMP Bldg. (55% quasi co-ownership)	MID REIT Kyobashi Bldg.	Total 12.15 bn. yen	Matsushita IMP Bldg. (45% quasi co-ownership)		
	Planned disposition price	14.85 bn. yen	1.7 bn. yen	Planned disposition price	12.15 bn. yen		
	Gains/Losses on sale	+2.2 bn. yen	-0.4 bn. yen	Gains on sale	+1.9 bn. yen		
Planning distribution of the gains	Total gains on sales		+1.8 bn. yen	Total gains on sales		+1.9 bn. Yen	Total +3.8 bn. yen
	Payout as distributions		1.3 bn. yen	Payout as distributions		1.5 bn. Yen	2.9 bn. yen
	Reserve for reduction entry		0.4 bn. yen	Reserve for reduction entry		0.4 bn. Yen	0.8 bn. yen

Policy for Using the Reserve for Reduction Entry

Use to carry out a stable distribution in event of temporary decrease in resource for distributable income in the future

<For securing stability>

- Temporary decrease of revenue due to cancellation of major tenant
- Loss on sale of real estate
- Temporary expense due to natural disaster etc.

<For growth strategy>

- Losses due to growth investments such as large-scale renovation and reconstruction
- Temporary distribution dilution associated with offering during the fiscal period

* Calculation based on actual figures for properties held as of the end of June 2018, and figure indicated on the appraisal report for the asset to be acquired
 ** Size of each bubble is proportional to each acquisition price

New Acquisition: Yokohama i-land Tower



Acquisition of one of the largest high-rise buildings in the area with direct connection to “Bashamichi Station” through a PRE proposal

1 Location with traffic convenience

- ▶ High-rise building directly connected to the station, situated at a cross-point of the Minato Mirai 21 area and the Kannai area
- ▶ Located in an area with high growth potential as several redevelopment plans are under way in the neighborhood

2 One of the largest-sized office buildings in the area

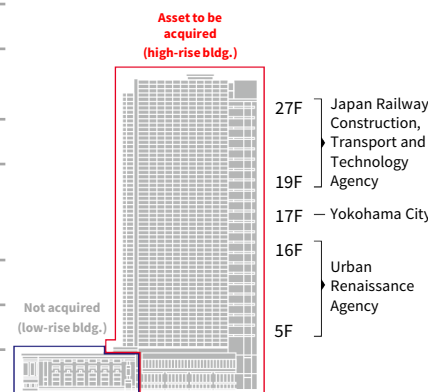
- ▶ Large-sized office building with total floor area of approximately 12,500 tsubo and standard floor area of approximately 320 tsubo, standing out in the area mainly filled with small- and medium-sized buildings and drawing potential tenants

3 Acquisition through PRE proposal for the first time for MCUBS MidCity, and stable relation with tenants

- ▶ Acquisition through PRE proposal by use of capability of the sponsor of MC-UBS Group
- ▶ Estimated steady rent income based on the long-term lease agreement with UR, the main tenant

“PRE proposal” indicates a proposal of optimal and efficient use of public real estate (PRE) properties, with an aim to promote proper and efficient management and operation thereof based on the public interest purposes.

Acquisition Price	22,100 mn. yen	Appraised Value	23,700 mn. yen
NOI Yield	5.0%	NOI Yield after Depreciation	4.0%
Location	6-50-1 Honcho, Naka-ku, Yokohama, Kanagawa		
Access	Direct connection to “Bashamichi Station” on the Minatomirai Line Approx. 5-minute walk from “Sakuragi-cho Station” and “Kannai Station” on the JR/Yokohama Municipal Subway		
Total floor area	41,154.75㎡	Completion date	Feb. 2003
Number of tenants	5	Occupancy	94.0%



Yokohama New City Hall Building: Completion due in Jan. 2020
(32F/B2F, Approx. 6,000 employees)



* As the property is a sectional ownership building, MCUBS MidCity is to obtain trust beneficiary interest of building's sectional ownership (ratio of entire common area ownership: 93.41476%, partial high-rise common area ownership: 100%) and common area ownership of its land (ratio of co- owner ship: 89.57%)

Consistent Selected Investment Utilizing MidCity's Advantage



MidCity's first ever PRE Proposal

Initiatives for Yokohama i-land Tower acquisition

- ▶ A bid deal of UR's sale and lease-back
- ▶ Our PRE proposals was accepted favorable at a comprehensive evaluation bid of price and proposal

Key Contents of our Proposal

- Area management proposal by collaborating with Mitsubishi Corporation Group
- Management structure of large-scale building based on management track record in "Osaka Business Park" area
- Introduction of security system such as installation of entrance gate
- Improvement of common area such as installation of LED light and stockpile warehouse rack

<Area Management Plan>

Aiming for sustainable area activation, plan to enhance the area's attractiveness and popularity by collaborating with adjacent Yokohama New Town Hall and increase migration of "Kitanaka-dori North/ Shinminato" area by making full use of Mitsubishi Corporation's network



Unique Strategy based on Asset Information Network



Historical monument ~Yokohama i-land Tower Low-rise Building~

Low-rise building of the former Bank of Yokohama head office annex is a historical building acknowledged by Yokohama City.

Building was built as The First Bank Yokohama Branch, constructed by Yoshitoki Nishimura in 1929, characterized by Tuscan order colonnade and a semi-circular balcony. Currently, it is occupied by Yokohama Creative City Center as a base facility of "Creative City Initiative" promoted by Yokohama City.

* Building is not subject of sectional ownership of planned acquisition.

Successfully Financing Long-term Fixed Rate Debts

Financial Indicators

	24 th Period	Sep. 2018 (Estimate)
Ratio of long-term borrowings	100.0%	94.4%
Ratio of fixed-rate borrowings	77.5%	79.3%
Issuer rating	R&I: A (stable) JCR: A+ (positive)	Aim for further upgrade

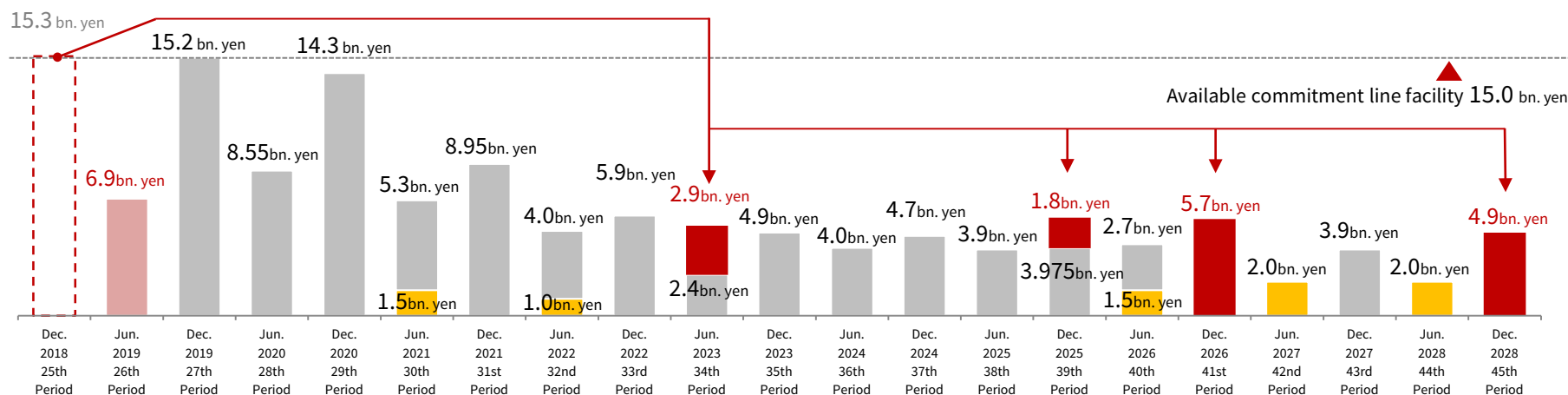
New Borrowings (Jul. and Sep. 2018)

Lender (New borrowings in Jul. 2018)	Amount	Term	Interest rate
Mizuho Bank, Ltd.	3.4 bn. yen	10 years	Fixed
Aozora Bank, Ltd., Mizuho Trust & Banking Co., Ltd.	1.5 bn. yen	10 years	Fixed
Sumitomo Mitsui Trust Bank, Limited	2.9 bn. yen	8 years	Fixed
MUFG Bank, Ltd.	2.0 bn. yen	8 years	Fixed
Resona Bank, Limited	0.8 bn. yen	8 years	Fixed
The Senshu Ikeda Bank, Ltd., The Nishi-Nippon City Bank, Ltd., The Hyakugo Bank, Ltd.	1.8 bn. yen	7 years	Fixed
Sumitomo Mitsui Banking Corporation	2.9 bn. yen	4.5 years	Floating
Total / Weighted average	15.3 bn. yen	7.9 years	

Lender (New borrowing in Sep. 2018)	Amount	Term	Interest rate
Mizuho Bank, Ltd.	6.9 bn. yen	0.6 years	Floating

Debt Maturity Ladder

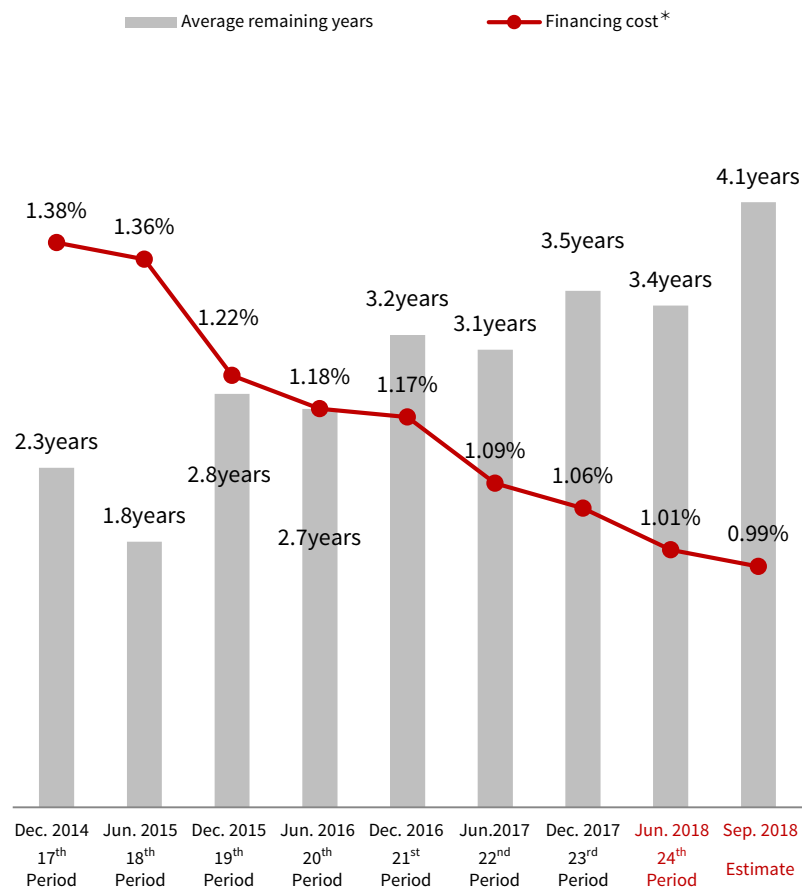
■ New borrowing in Sep. 2018 (Planned) ■ New borrowings in Jul. 2018 ■ Existing loans ■ Invest Co. bonds



Reinforcing Financial Base



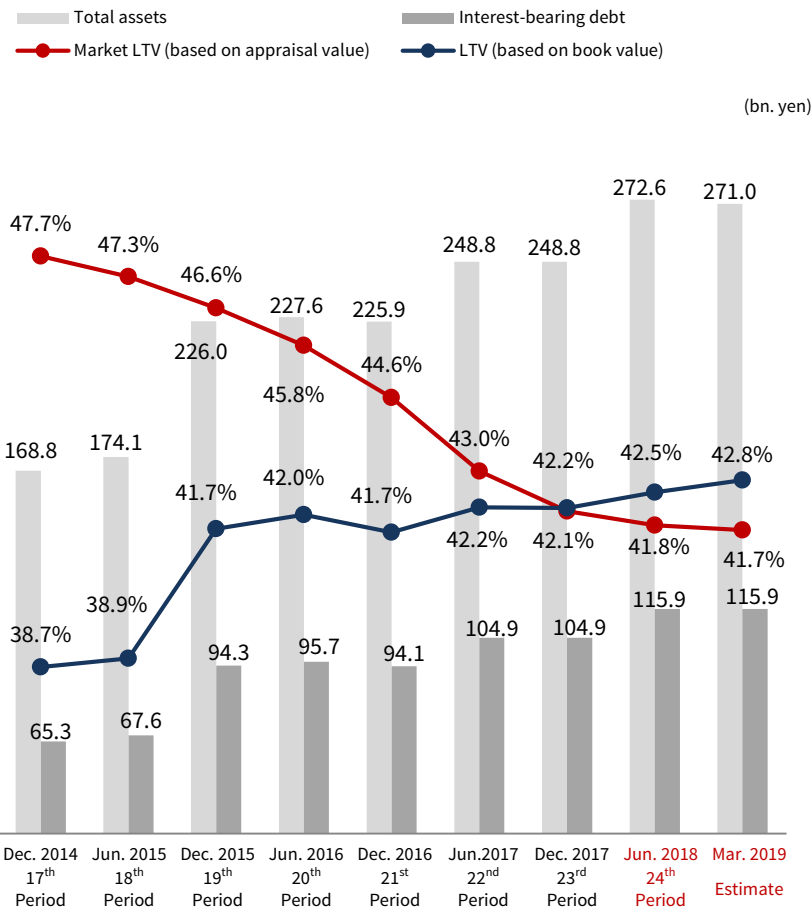
Financing Cost and Average Remaining Years of Debts



* All-in cost including related expenses



Historical LTV



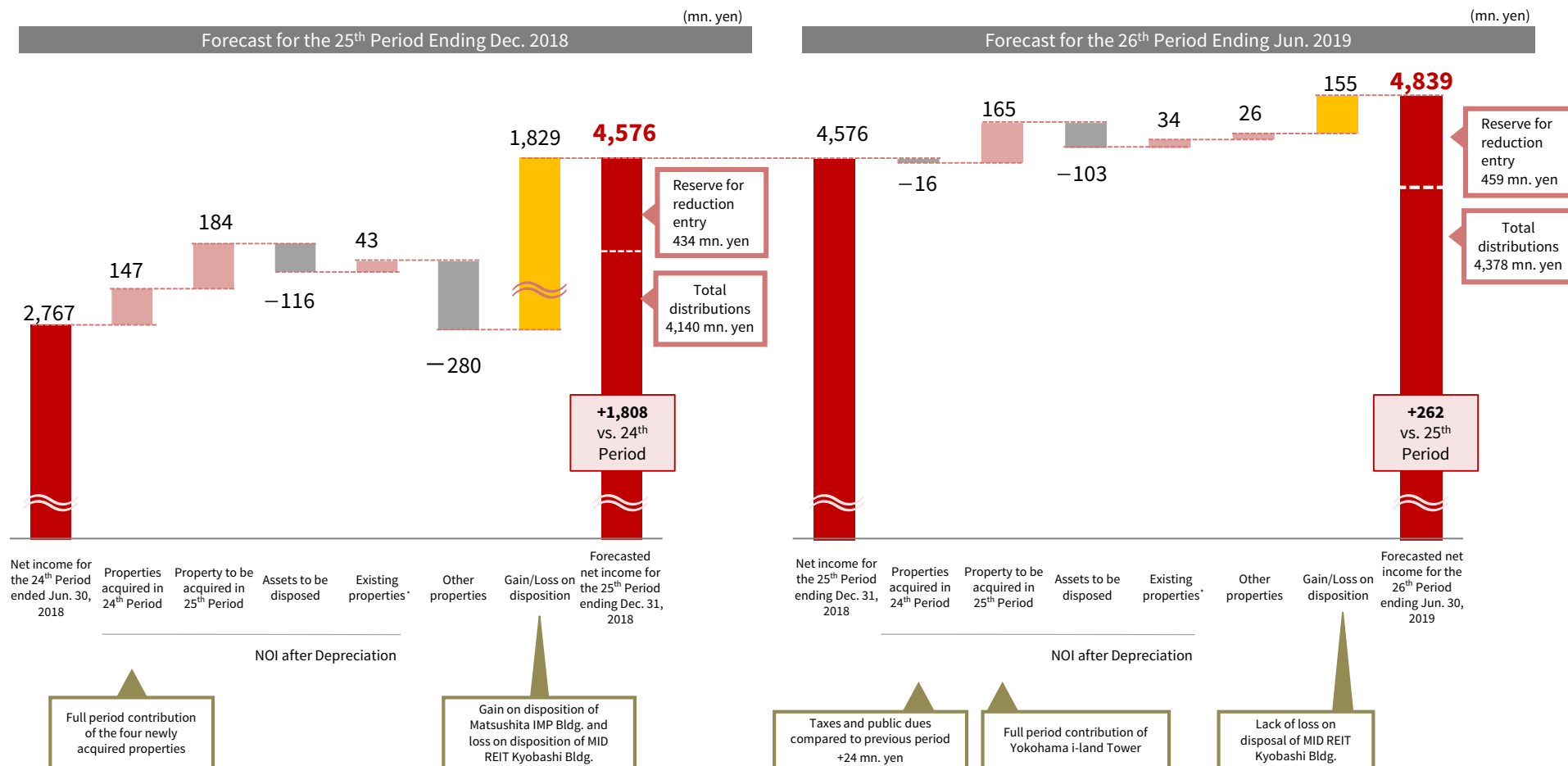
Forecasts for Periods Ending Dec. 2018 and Jun. 2019

	Forecast for fiscal period ending Dec. 31, 2018 (25 th Period)	Difference from 24 th Period	Forecast for fiscal period ending Jun. 30, 2019 (26 th Period)	Difference from 25 th Period
Operating revenues (Gain on disposition of assets)	10,780 mn. yen (2,263 mn. yen)	+36.0%	10,205 mn. yen (1,985 mn. yen)	−5.3%
Operating income (Gain/loss on disposition of assets)	5,281 mn. yen (1,829 mn. yen)	+56.8%	5,480 mn. yen (1,985 mn. yen)	+3.8%
Net income	4,576 mn. yen	+65.4%	4,839 mn. yen	+5.7%
Reserves for reduction entry	434 mn. yen	—	459 mn. yen	+5.7%
Total distributions	4,140 mn. yen	+49.6%	4,378 mn. yen	+5.8%
Distribution per unit (Excl. gain on dispositions)	2,520 yen (1,755 yen)	+49.6%	2,665 yen (1,821 yen)	+5.8%

Profit Growth Generated Both from New and Existing Assets



Breakdown of Forecasted Net Income Changes for the 25th and 26th Fiscal Periods



* Including dividends received from SPC backed by Nagoya Lucent Tower

3. Initiatives for Enhancement of Unitholder Value

- Unitholder value enhanced after implementing various measures after main sponsor change
- Drastically increased DPU/NAV
- Strive to further enhance unitholder value



Unitholder Value Expanded after Main Sponsor Change

Asset Profitability and stability enhanced through portfolio expansion

	Before main sponsor change	After asset replacement
Number of Properties	12 properties	22 properties
Asset Size (Acquisition price basis)	157.6 bn. yen	256.5 bn. yen
Average NOI Yield	4.0%	4.4%
Average NOI Yield after Depreciation	2.6%	3.5%
Unrealized Gains/Losses	-32.0 bn. yen	+7.0 bn. yen
Ratio of OBP (based on rents and common-area fees)	62.4%	28.3%
Ratio of Largest Tenant (based on rents and common-area fees)	21.2%	12.9%

ESG Active efforts toward sustainability

	Before main sponsor change	After asset replacement
GRESB	—	Green Star

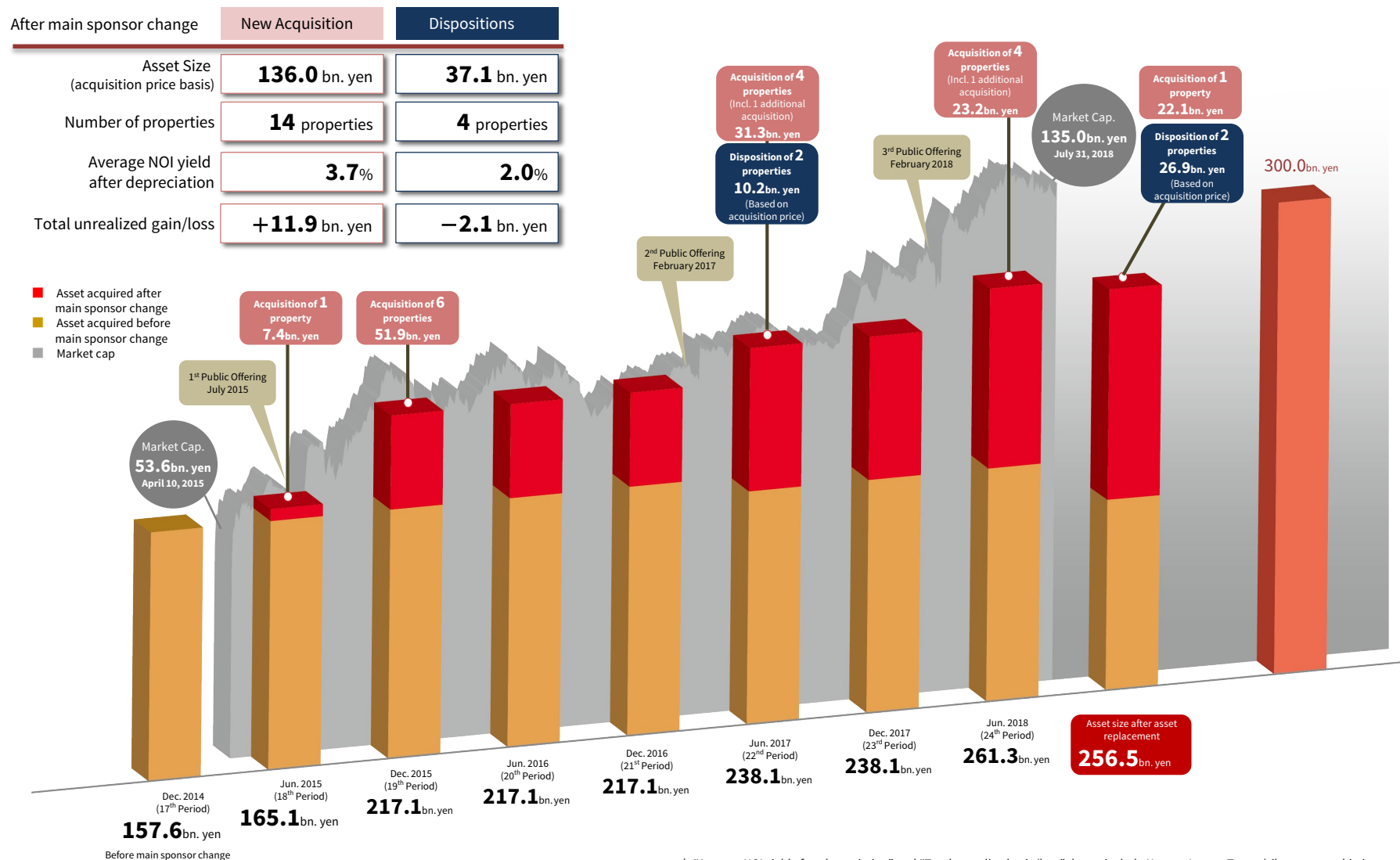
Debt Successfully established strong financial base

	Before main sponsor change	After asset replacement
LTV (appraisal basis)	47.7%	41.7%
Average Interest-bearing Debt Cost	1.38%	0.99% (estimate as of Sept. 2018)
Average Remaining Interest-bearing Debt Maturity	2.3 years	4.1 years (estimate as of Sept. 2018)
Credit Ratings	R&I : A-	R&I : A (stable) JCR : A+ (positive)

Equity Unitholder value enhanced

	Before main sponsor change	After asset replacement
Market Cap	53.6 bn. yen (April 10, 2015)	135.0 bn. yen (July 31, 2018)
DPU	1,191 yen	1,821 yen (forecast for fiscal period ending Jun. 30, 2019, stabilized basis)
NAV per Unit	63,504 yen	87,361 yen
Average Trading Volume per Day	300 mn. yen (Average of Jul. 1, 2014~ Dec. 31, 2014)	429 mn. yen (Average of Jan. 1, 2018~ Jun. 30, 2018)

Consistent Selected Investment and Strategic Asset Replacement



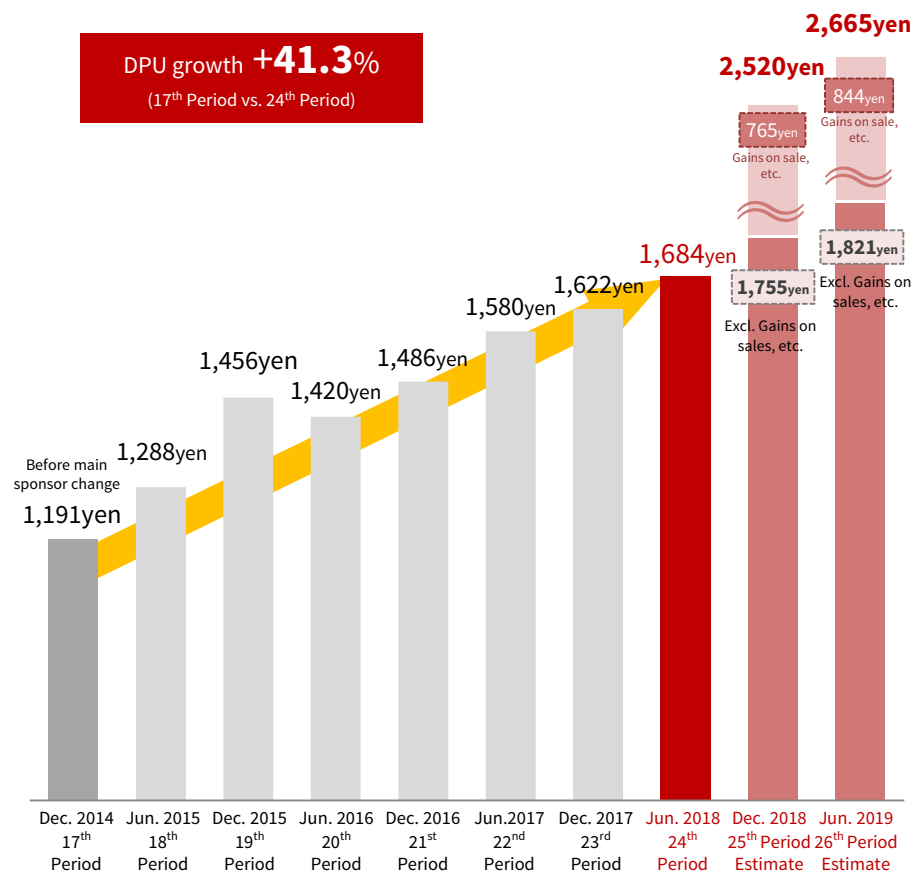
* "Average NOI yield after depreciation" and "Total unrealized gain/loss" do not include Nagoya Lucent Tower (silent partnership interest).

Consistent DPU/NAV Growth



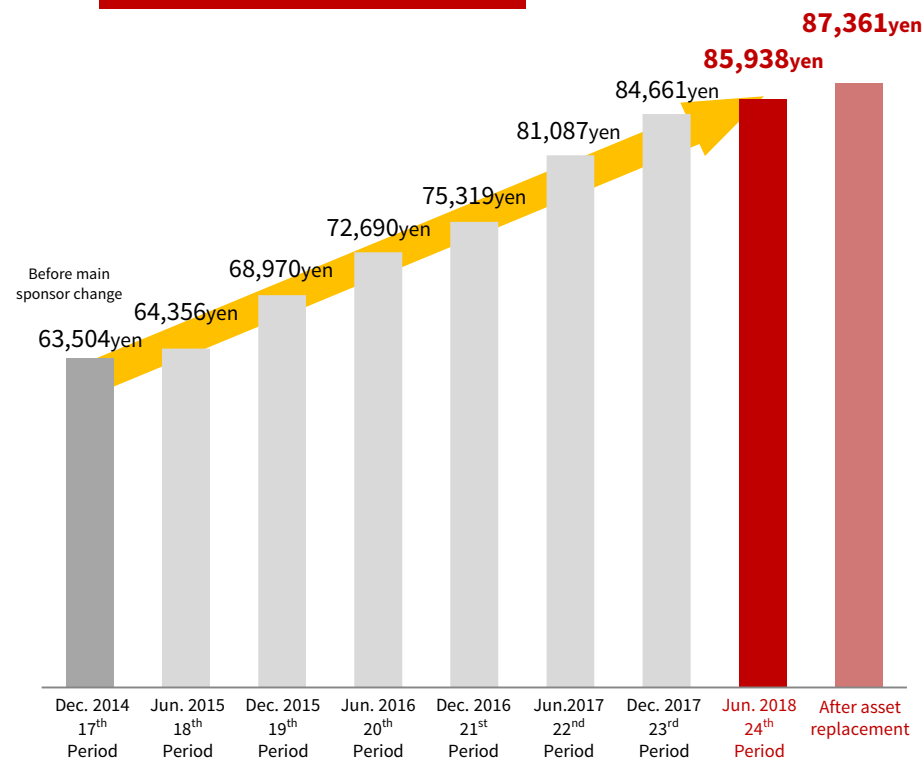
Distribution per unit

DPU growth **+41.3%**
(17th Period vs. 24th Period)



NAV per unit

NAV per unit growth **+35.3%**
(17th Period vs. 24th Period)



Active Efforts Towards ESG

Assessment/ Certification by External Agencies

The Investment Corporation is designated as Green Star by GRESB Real Estate Assessment, and obtains certifications for properties in the portfolio.



BELS Certification
Certified for 3 properties



CASBEE assessment
Certified for 2 properties



DBJ Green Building
Certified for 4 properties

MC-UBS Group: Sustainability Policy

MC-UBS Group voluntarily promotes efforts to secure “sustainability” in an environment and an entire society.

- ◆ **Environmental charter**
- ◆ **Responsible Property Investment (RPI) Policy**
- ◆ **The Principles for Financial Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century)**
- ◆ The Principles for Responsible Investment (PRI)
- ◆ Montreal Carbon Pledge
- ◆ The United Nations Environment Programme Finance Initiative (UNEP FI)
- ◆ The United Nations Global Compact (UN Global Compact)
- ◆ **Japan Association for UNHCR**

Items written in green: initiatives implemented by MCUBS MidCity



Signatory of:



Memo

Think bold today for a brighter tomorrow.



MCUBS MidCity Investment Corporation

Disclaimer

- This material may contain forward-looking statements regarding results, plans, managerial targets and strategies. These forward-looking statements are based on current assumptions and preconditions for future events and trends of business circumstances, which are not necessarily correct. Actual results may vary widely from such statements according to various factors
- This material is prepared subject to the accounting principles generally accepted in Japan, unless otherwise stated
- This material is about analyses of financial results of MCUBS MidCity Investment Corporation (the "Investment Corporation"), and is not prepared for the purpose of inducement or invitation for any acquisition of investment securities of the Investment Corporation nor any execution of other financial transaction contracts. Investment decisions are to be made at investors' sole discretion and responsibility
- The Investment Corporation is a publicly-offered real estate investment corporation (J-REIT) investing in real estate and related assets the prices of which may fluctuate. Unitholders of the Investment Corporation may suffer loss when unit prices decline in the market or an amount of distributions declines, according to economic and interest rate circumstances, a balance of supply and demand for units, real estate market environment, fluctuations of prices of, and rent revenues from real estate properties under management, disasters, aggravation of financial status of the Investment Corporation and other reasons. For detail, please see "Investment Risk" stated in the Securities Registration Statement (offering circular) and the Securities Report of the Investment Corporation.

Asset Management Company: MCUBS MidCity Inc.

(Certified Financial Instruments Business Operator: Director of Kanto Local Financial Bureau (Kinsho) Registration No. 2888, and Member of The Investment Trusts Association, Japan)