

MCUBS MidCity Investment Corporation

The 26th fiscal period Asset Management Report

January 1, 2019 – June 30, 2019



MCUBS MidCity Investment Corporation

I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period		22 nd	23 rd	24 th	25 th	26 th
As of /for the six months ended		June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019
Operating revenues	(Millions of yen)	8,025	7,610	7,924	10,798	10,279
(Rental business revenues)	(Millions of yen)	(7,360)	(7,472)	(7,788)	(8,369)	(8,179)
Operating expenses	(Millions of yen)	4,875	4,627	4,555	5,470	4,641
(Rental business expenses)	(Millions of yen)	(3,924)	(3,879)	(3,786)	(4,128)	(3,682)
Operating income	(Millions of yen)	3,150	2,983	3,368	5,327	5,638
Ordinary income	(Millions of yen)	2,527	2,400	2,769	4,621	4,994
Net income	(Millions of yen)	2,527	2,405	2,767	4,620	4,994
Total assets	(Millions of yen)	248,821	248,837	272,674	280,790	274,736
(Period-on-period change)	(%)	(10.1)	(0.0)	(9.6)	(3.0)	(-2.2)
Net assets	(Millions of yen)	127,675	127,737	139,404	141,257	142,070
(Period-on-period change)	(%)	(8.9)	(0.0)	(9.1)	(1.3)	(0.6)
Interest-bearing liabilities	(Note 1) (Millions of yen)	104,975	104,975	115,975	122,875	115,975
Unitholders' capital	(Millions of yen)	125,148	125,148	136,452	136,452	136,452
Number of units issued and outstanding	(Units)	296,625	296,625	1,643,125	1,643,125	1,643,125
Net asset value per unit	(Note 2) (Yen)	86,085	86,127	84,840	85,969	86,463
Total distributions	(Millions of yen)	2,343	2,405	2,767	4,181	4,520
Distribution per unit	(Yen)	7,900	8,110	1,684	2,545	2,751
(Profit distribution per unit)	(Yen)	(7,900)	(8,110)	(1,684)	(2,545)	(2,751)
(Distribution per unit in excess of profit)	(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	(Notes 3 and 4) (%)	1.1 (2.1)	1.0 (1.9)	1.1 (2.1)	1.7 (3.3)	1.8 (3.6)
Return on unitholders' equity	(Notes 3 and 5) (%)	2.1 (4.2)	1.9 (3.7)	2.1 (4.2)	3.3 (6.5)	3.5 (7.1)
Ratio of net assets to total assets	(Note 6) (%)	51.3	51.3	51.1	50.3	51.7
(Period-on-period change)	(%)	(-0.6)	(0.0)	(-0.2)	(-0.8)	(1.4)
Ratio of interest-bearing liabilities to total assets	(Note 7) (%)	42.2	42.2	42.5	43.8	42.2
Payout ratio	(Note 8) (%)	92.7	100.0	100.0	90.5	90.5
Additional information:						
Number of investment properties	(Note 9) (Properties)	19	19	22	22	22
Total leasable area	(Note 10) (m ²)	349,595.39	349,515.43	368,099.75	368,250.14	354,878.02
Number of tenants	(Note 11) (Tenants)	394	394	413	427	371
Occupancy ratio	(Note 12) (%)	97.5	97.0	98.1	98.5	99.4
Depreciation	(Millions of yen)	1,279	1,256	1,328	1,325	1,220
Capital expenditures	(Millions of yen)	445	817	597	582	750
Rental net operating income (NOI)	(Note 13) (Millions of yen)	4,715	4,850	5,330	5,566	5,716

- Note 1 "Interest-bearing liabilities" represents the total amount of short-term loans payable, long-term loans payable and investment corporation bonds (including current portion of each liability).
- Note 2 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, 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.
- Note 3 Figures in parenthesis have been annualized using the number of days for each fiscal period.
- Note 4 $\text{Ordinary income} \div \{(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2\} \times 100$
- Note 5 $\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 100$
- Note 6 $\text{Net assets at end of period} \div \text{Total assets at end of period} \times 100$
- Note 7 $\text{Interest-bearing liabilities at end of period} \div \text{Total assets at end of period} \times 100$
- Note 8 $\text{Distribution per unit} \div \text{net income per unit (not adjusted to reflect the Unit Split)} \times 100$
Payout ratio for the 22nd and the 24th fiscal period is calculated using the following formula because new investment units were issued.
 $\text{Total distributions (excluding distributions in excess of profit)} \div \text{Net income} \times 100$
Payout ratio for the 23rd fiscal period is calculated using actual net income per unit (not adjusted to reflect the Unit Split).
- Note 9 Number of investment properties does not include investments in Tokumei Kumiai (silent partnership) agreements.
- Note 10 "Total leasable area" represents the total leasable floor space as of the end of each fiscal period. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc., but include the floor space for common areas and parking, etc. when leased to tenants.) For the properties in which the Investment Corporation owns partial share of the trust beneficial interest, the leasable area calculated multiplying the total leasable area of each property by the share of quasi-co-ownership.
- Note 11 "Number of tenants at end of period" 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 units 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 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 12 "Occupancy ratio" is the figure obtained by dividing the total leased area of respective properties at the end of each fiscal period by the total leasable area, and is expressed as a percentage.

Note 13 Operating income from property leasing activities (Rental business revenues – Rental business expenses) + Depreciation + Loss on disposal of property

2. Outline of asset management operation

(1) Brief background to MCUBS MidCity

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

From a medium-to long-term perspective, MCUBS MidCity's basic policy is aim to secure stable revenues and steady growth of assets under management. MCUBS MidCity mainly invests in office properties, and invests in the three major metropolitan areas which are Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto, and Hyogo Prefectures), and Nagoya metropolitan area (Aichi Prefecture), as its portfolio building policy.

Since MCUBS MidCity began investing in 9 properties in 2006 at a total acquisition price of ¥146,650 million, MCUBS MidCity has achieved steady growth in assets through continuous acquisition of properties. As of June 30, 2019, the portfolio of MCUBS MidCity was comprised of 23 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting of ¥260,619 million.

(Note) As of July 1, 2019, an absorption-type merger has been conducted with MCUBS MidCity Inc. as the dissolving company and Mitsubishi Corp.- UBS Realty. Inc as the surviving company. After this merger, Mitsubishi Corp.- UBS Realty. Inc engages in asset management for MCUBS MidCity.

(2) Management Results

In this fiscal period (January - June 2019), as part of the strategic asset replacement, in March 2019 MCUBS MidCity disposed the remaining 45% quasi-co-ownership of the Matsushita IMP Bldg. in the Osaka area (disposition price: ¥12,150 million) the rest of 55% were disposed in the previous fiscal period (July - December 2018). In the same month, we acquired M-City Edogawabashi Bldg. in the Tokyo area with an acquisition price of ¥4,070 million to reduce risks through diversified investments. As of the end of this fiscal period, MCUBS MidCity's portfolio was comprised 23 properties at a total acquisition price of ¥260,619 million. The investment ratio (based on the acquisition price) of which are distributed in terms of geographic region was 97.0% in the three major metropolitan areas (including 59.8% in the Tokyo area, 35.3% in the Osaka area, and 1.9% in the Nagoya area), 3.0% in other areas, and are distributed in terms of property type was 88.0% in office properties and 12.0% in others.

In addition, the occupancy rate at the end of this fiscal period rose 98.5%, to 99.4%, as a result of efforts to attract

new tenants and improve the satisfaction of existing tenants, benefiting from an improvement in the vacancy rate and the office leasing market, which continues to see a gradual upward trend in rent levels. The total leasable area is 354,878.02 m², and the number of tenants is 371.

MCUBS MidCity shares the view on sustainability, in particular ESG (Environment, Social and Governance) recently attracting attention, with the asset management company striving to respond to responsibility concerning the environment and society based on the “Environmental Charter” and the “Basic Policy on Responsible Real Estate Investment”, and proactively promotes such efforts together with the asset management Company. Regarding environmental issues in particular, we have also been participating in GRESB (Global Real Estate Sustainability Benchmark) and was designated as the highest ranking "Green Star" in the real estate evaluation for 3 consecutive years, and have also received 5-star evaluation in the "GRESB rating" (5-level evaluation) based on the relative evaluation. In addition, since December 2018, we have been included in the MSCI Japan ESG Select Leaders Index, and have received an ESG rating of "AA." As of the end of the fiscal period, 3 properties were certified under DBJ Green Building certification, 3 were certified under CASBEE for real estate certification, 5 were certified under BELS (Building-Housing Energy-efficiency Labeling System), and 2 were certified under Tokyo Low-Carbon Small and Medium-Sized Model Building.

(3) Overview of Fund Procurement

(a) Issuance of New Investment Units

MCUBS MidCity does not raise funds through issuance of new investment units. The total number of investment units issued and outstanding as of the end of the fiscal period was 1,643,125 units.

(b) Debt Financing

In the fiscal period, MCUBS MidCity repaid a portion of the proceeds from the sale of the Matsushita IMP Bldg. in advance of the repayment of ¥6,900 million in March 2019. As of the end of the fiscal period, MCUBS MidCity had borrowed ¥107,975 million from 19 financial institutions, and the outstanding amount of investment corporation bonds was ¥8,000 million. The ratio of interest-bearing debt to total assets (hereinafter referred to as "LTV") is 42.2%, the ratio of long-term debt is 100.0% (including long-term debt due within 1 year), and the ratio of fixed interest rates is 84.0% (including fixed interest rates under interest rate swap agreements).

On March 5, 2019, the JCR rating was upgraded from A+ to AA-. The rating of the MCUBS MidCity as of the end of the fiscal period is as follows:

Credit rating agencies	Issuer rating	Rating outlook
Japan Credit Rating Agency, Ltd. (JCR)	AA-	Stable
Rating and Investment Information, Inc. (R&I)	A	Positive

(4) Overview of Business Performance and Distribution

As a result of the management described above, MCUBS MidCity recorded operating revenue of ¥10,279 million, operating income of ¥5,638 million, ordinary income of ¥4,994 million, and net income of ¥4,994 million.

Distributions are to be distributed in excess of 90% of the amount of distributable earnings in an attempt to include distributions of retained earnings as deductible expenses through the application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including amendments thereto) (hereinafter referred to as the "Act on Special Measures Concerning Taxation"). In accordance with this policy, MCUBS MidCity decided to distribute a portion of the gain on the sale of the Matsushita IMP Bldg. (45% quasi-co-ownership) disposed in March 2019 from unappropriated retained earnings of ¥474 million as a reserve for reduction entry and the remaining amount of ¥4,520 million after deducting the amount of the reserve as distributions. As a result, the distribution per unit was ¥2,751.

3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended June 30, 2019. 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
January 1, 2018	Unit Split	1,186,500	1,483,125	—	125,148	Note 9
February 15, 2018	Public offering	152,000	1,635,125	10,738	135,887	Note 10
March 9, 2018	Allocation of investment units to a third party	8,000	1,643,125	565	136,452	Note 11

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 real 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 real 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 real 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.

Note 10 New investment units were issued at a price of ¥73,125 per unit (subscription price of ¥70,650 per unit) through a public offering in order to raise funds for acquiring new property.

Note 11 New investment units were issued at a price of ¥70,650 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on February 15, 2018.

Fluctuation in market price of the investment unit:

The market price of the investment unit issued by the Investment Corporation listed on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)

Fiscal period	22 nd	23 rd	24 th	25 th	26 th
As of /for the six months ended	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019
Highest price	359,000	397,500 Note 1 (76,200)	85,400	93,200	106,300
Lowest price	324,000	313,000 Note 1 (75,000)	73,300	77,300	84,900

Note 1 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. The market price on or after December 27, 2017 reflects the unit split. The figures in parenthesis show the market price on or after December 27, 2017.

4. Distributions

In accordance with the distribution policy in the Investment Corporation's articles of incorporation, the Investment Corporation decided to distribute all of unappropriated retained earnings at the end of the period after provision of reserve for reduction entry of property amounting to ¥474 million. As a result, cash distribution per unit for the six months ended June 30, 2019 amounted to ¥2,751.

Fiscal period		22 nd	23 rd	24 th	25 th	26 th
As of /for the six months ended		June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019
Retained earnings at end of period	(Thousands of yen)	2,527,166	2,405,786	2,768,133	4,621,836	4,995,350
Retained earnings carried forward	(Thousands of yen)	183,829	157	1,111	440,083	475,113
Total cash distributions	(Thousands of yen)	2,343,337	2,405,628	2,767,022	4,181,753	4,520,236
(Cash distribution per unit)	(Yen)	(7,900)	(8,110)	(1,684)	(2,545)	(2,751)
Profit distributions	(Thousands of yen)	2,343,337	2,405,628	2,767,022	4,181,753	4,520,236
(Profit distribution per unit)	(Yen)	(7,900)	(8,110)	(1,684)	(2,545)	(2,751)
Unitcapital refunds	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from provision for temporary difference adjustment	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from provision for temporary difference adjustment)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from deduction of unitcapital under tax rules	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from deduction of unitcapital under tax rules)	(Yen)	(—)	(—)	(—)	(—)	(—)

5. Management policies and issues

MCUBS MidCity aims to secure stable revenues and steady growth of assets under management as follows.

(1) Internal growth strategy

MCUBS MidCity will formulate optimal medium-to long-term management strategies for each property and maximize cash flows based on these strategies.

In order to attract new tenants, MCUBS MidCity will work closely with property management contractors (hereinafter referred to as "property management companies") and office rental agencies to develop plans for attracting tenants tailored to the location and characteristics of each real estate under management, and steadily secure tenants by utilizing the unique routes owned by property management companies. Also, as follow-up activities for existing tenants, under the supervision of the asset management company, MCUBS MidCity collaborates with the property management company and the contractor for building management (hereinafter referred to as the "building management company") to create a database of tenants' requests, etc., conduct annual tenant satisfaction surveys, and actively exchange opinions with tenants' managers, etc. In response, MCUBS MidCity provides solutions such as facility renovation to improve

tenant satisfaction, and make proposals for appropriate floor expansion, etc., in a timely manner.

In addition, under the supervision of the asset management company, in order to maintain and improve the earnings and asset value of the assets under management in the medium to long term, MCUBS MidCity aim to minimize operation management costs while maintaining management quality by implementing lifecycle management in the operation management stage in collaboration with the property management company and the building management company.

(2) External growth strategy

MCUBS MidCity will promote external growth in order to reduce investment management costs through the economies of scale and to reduce the risk of fluctuations in revenues through the effects of the portfolio, such as the diversification of investment assets. As a strategy for realizing external growth, MCUBS MidCity will pursue opportunities to acquire real estate based on information provided by the sponsor companies, their shareholders, and group companies and its own network.

As for the targeted areas to be invested, MCUBS MidCity is considering the acquisition of investment assets with a focus on office properties in the three major metropolitan areas, and from the standpoint of securing more opportunities to acquire properties and diversifying 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. In addition, as for the investment target in terms of property type, although MCUBS MidCity invests primarily in office properties, from the viewpoint of securing more opportunities to acquire properties and diversifying investment, MCUBS MidCity's investment targets also include real estate other than office properties (however, no new investment will be made as to retail properties and industrial properties).

(3) 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.

6. Subsequent events

None.

Outline of the Investment Corporation

1. Investment unit

Fiscal period	22 nd	23 rd	24 th	25 th	26 th
As of	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019
Number of units authorized (Units)	2,000,000	2,000,000	10,000,000	10,000,000	10,000,000
Number of units issued and outstanding (Units)	296,625	296,625	1,643,125	1,643,125	1,643,125
Unitholders' capital (Millions of yen)	125,148	125,148	136,452	136,452	136,452
Number of unitholders (People)	12,267	11,604	12,157	13,094	12,883

2. Unitholders

Major unitholders as of June 30, 2019 were as follows:

Name	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note) (%)
The Master Trust Bank of Japan, Ltd. Trust Account	271,553	16.52
Japan Trustee Services Bank, Ltd. Trust Account	212,762	12.94
Trust & Custody Services Bank, Ltd. Trust Account	69,622	4.23
The Nomura Trust and Banking Co., Ltd. Trust Account	63,653	3.87
Kanden Realty & Development Co., Ltd.	46,000	2.79
SIX SIS LTD.	34,408	2.09
STATE STREET BANK WEST CLIENT - TREATY 505234	29,310	1.78
NOMURA BANK (LUXEMBOURG) S.A.	27,500	1.67
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	21,565	1.31
Mitsubishi Corporation	21,000	1.27
Total	797,373	48.52

Note Ratio of number of units owned to total number of units issued is calculated by rounding down to the nearest second decimal place.

3. Officers

Officers, etc. as of June 30, 2019 were as follows:

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2019 (Thousands of yen)
Executive Director	Katsuhiro Tsuchiya	M&A Sogo Law Office (Attorney at Law)	3,120
Supervisory Director	Haruo Kitamura	Chief of KITAMURA & CO. (Certified public accountant)	(Note 3) 2,950
	Osamu Ito	Partner of UNITED FUSO LAW OFFICE (Attorney at Law)	(Note 3) 2,950
	Kyoko Nagata	Associate Professor of Tokyo Institute of Technology, School of Engineering	(Note 3) 2,000
Independent auditor	KPMG AZSA LLC	—	(Note 4) 11,500

Note 1 There is no investment unit of the Investment Corporation held by the Executive Director nor the Supervisory Directors in their own name or that of others. Although Executive Director and Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and the Investment Corporation.

Note 2 Katsura Matsuo, President & Representative Director of the Asset Manager of the Investment Corporation, and Naoki Suzuki, Deputy President & Representative Director of the Asset Manager of the Investment Corporation, were appointed as alternate executive directors for a vacancy of the executive director by the 8th General Meeting of Unitholders held on March 15, 2019. On March 28, 2019, Naoki Suzuki resigned alternate executive director of the Investment Corporation.

Note 3 By the 8th General Meeting of Unitholders held on March 15, 2019, Haruo Kitamura and Osamu Ito resigned Supervisory Director and were reappointed Supervisory Director. Also, Kyoko Nagata was newly appointed as Supervisory Director.

Note 4 The compensation for the independent auditor includes audit fees for the financial statements prepared in English.

Note 5 The Investment Corporation shall dismiss independent auditor in accordance with the Act on Investment Trusts and Investment Corporation of Japan, if necessary, considering audit quality, fees or other various factors.

4. Name of asset manager and other administrator

Asset manager, custodian and general administrators as of June 30, 2019 were as follows:

Classification	Name
Asset manager	MCUBS MidCity Inc. (Note)
Custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (regarding book keeping)	Sumitomo Mitsui Trust Bank, Limited
General administrator (regarding investor registration and distribution payments to unitholders, etc.)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (regarding investment corporation bonds)	Mizuho Bank, Ltd.

Note On July 1, 2019, an absorption-type merger has been conducted with MCUBS MidCity Inc. as the dissolving company and Mitsubishi Corp.- UBS Realty, Inc as the surviving company. After this merger, Mitsubishi Corp.- UBS Realty, Inc engages in asset management for the Investment Corporation.

Condition of investment assets

1. Composition of assets

Classification of assets	Investment category	Investment area		As of December 31, 2018		As of June 30, 2019	
				Total of net book value (Note 1)	Ratio to total assets (Note 2)	Total of net book value (Note 1)	Ratio to total assets (Note 2)
				(Millions of yen)	(%)	(Millions of yen)	(%)
Trust beneficial interest in real property	Office Building	Three major metropolitan areas	Tokyo metropolitan area (Note 3)	128,616	45.8	132,597	48.3
			Osaka metropolitan area (Note 3)	95,376	34.0	85,361	31.1
		Other areas		5,586	2.0	5,623	2.0
	Other	Three major metropolitan areas	Tokyo metropolitan area (Note 3)	23,615	8.4	23,500	8.6
			Osaka metropolitan area (Note 3)	2,357	0.8	2,339	0.9
		Other areas		2,101	0.7	2,081	0.8
	Sub-total			257,654	91.8	251,503	91.5
	Investments in Tokumei Kumiai agreement (Note 4)			5,085	1.8	5,085	1.9
Bank deposits and other assets			18,051	6.4	18,147	6.6	
Total assets			280,790	100.0	274,736	100.0	

Note 1 Amounts less than one million yen are rounded down.

Note 2 "Ratio to total assets" is calculated by rounding to the nearest first decimal place.

Note 3 The Tokyo metropolitan area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the Osaka metropolitan area consists of Osaka, Kyoto and Hyogo prefectures.

Note 4 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 5 Construction in progress in trust is included in "Bank deposits and other assets".

2. Major property

The principal properties (top ten properties in net book value) as of June 30, 2019 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 4) (%)	Major use
Twin 21	65,914	82,304.84	81,620.87	99.2	28.9	Office
AEON MALL Tsudanuma	23,500	101,210.44	101,210.44	100.0	9.4	Retail facilities
Yokohama i-land Tower	22,810	25,460.50	25,460.50	100.0	8.5	Office
Cube Kawasaki	20,410	24,494.06	24,494.06	100.0	8.6	Office
Shibuya Sakuragaoka Square	17,357	6,379.66	6,379.66	100.0	4.5	Office
G-Square Shibuya Dogenzaka	12,156	5,010.68	5,010.68	100.0	3.7	Office
USC Bldg.	11,095	12,489.08	11,724.28	93.9	3.7	Office
Kitahama MID Bldg.	10,264	10,189.49	10,189.49	100.0	3.7	Office
TOYOTA MOBILITY SERVICE Bldg.	9,626	6,123.81	6,123.81	100.0	(Note 5)	Office
Sasazuka Center Bldg.	9,057	8,239.17	8,239.17	100.0	3.3	Office
Total	202,193	281,901.73	280,452.96	99.5	—	

Note 1 “Leasable area” refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the AEON MALL Tsudanuma, in which entire buildings are leased) that is leasable as of June 30, 2019.

Note 2 “Leased area” refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the AEON MALL Tsudanuma, in which entire buildings are leased) that is leased under lease agreements valid as of June 30, 2019.

Note 3 “Occupancy ratio” is presented as percentage figures, which are obtained by dividing the leased area as of June 30, 2019 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 4 “Rental revenues” are excluding other rental business revenues (Utilities, cancellation penalty and other).

Note 5 “Ratio of rental revenue to total rental revenues” of the property is not disclosed because the consent from the tenants has not been obtained.

Note 6 Amounts less than one million yen are rounded down. Percentages are rounded to the nearest first decimal place.

3. Details of property

The details of investment properties held by the Investment Corporation as of June 30, 2019 were as follows:

Investment category	Investment Area		Name of property	Location (Note 1)	Form of ownership	Appraisal value at end of period (Note 2) (Millions of yen)	Net book value (Millions of yen)
Office Building	Three major metropolitan areas	Tokyo metropolitan area	Sumitomo Fudosan Ueno Bldg. No.6	5-24-8, Higashiueno, Taito-ku, Tokyo	Trust beneficial interest	8,700	7,548
			G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	16,000	12,156
			Shibuya Sakuragaoka Square	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	19,400	17,357
			Yokohama Creation Square	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	8,190	7,015
			Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	22,600	20,410
			Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	3,160	2,841
			Sasazuka Center Bldg.	2-1-6 Sasazuka, Shibuya-ku, Tokyo	Trust beneficial interest	9,120	9,057
			USC Bldg.	4-11-38 Toyo, Koto-ku, Tokyo	Trust beneficial interest	11,500	11,095
			Yoshiyasu Kanda Bldg.	2-1-15, Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	4,280	4,206
			TOYOTA MOBILITY SERVICE Bldg.	2-12-4, Nihombashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	10,200	9,626
			M-City Akasaka 1-chome Bldg.	1-11-28, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	4,430	4,340
			Yokohama i-land Tower	6-50-1, Honmachi, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	23,400	22,810
			M-City Edogawabashi Bldg.	1-44-10, Sekiguchi, Bunkyo-ku, Tokyo	Trust beneficial interest	4,240	4,130
		Osaka metropolitan area	Twin 21	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	59,800	65,914
			MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	2,470	3,074
			Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	10,700	10,264
			MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	2,490	3,327
			Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	3,970	2,779
	Other area		Sendai Capital Tower	4-10-3 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	6,760	5,623
	Sub total						231,410
Other	Three major metropolitan areas	Tokyo metropolitan area	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	28,500	23,500
		Osaka metropolitan area	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	3,430	2,339
	Other area		Dormy Inn Hakata Gion	1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	4,600	2,081
	Sub total						36,530
Total						267,940	251,503

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

Note 2 "Appraisal value at end of period" shows the value as of June 30, 2019 appraised by the real estate appraiser (JLL Morii Valuation & Advisory, K.K., 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 3 Amounts less than one million yen are rounded down.

Operating results of each property for the six months ended December 31, 2018 and June 30, 2019 were as follows:

Investment category	Investment Area		Name of property	For the six months ended							
				December 31, 2018				June 30, 2019			
				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	Sumitomo Fudosan Ueno Bldg. No.6	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			G-Square Shibuya Dogenzaka	8	100.0	264,103	3.4	8	100.0	283,662	3.7
			Shibuya Sakuragaoka Square	4	100.0	345,290	4.4	4	100.0	345,226	4.5
			Yokohama Creation Square	41	91.9	305,952	3.9	42	98.2	317,103	4.1
			Cube Kawasaki	10	100.0	659,467	8.5	10	100.0	658,774	8.6
			Higashi-Nihombashi Green Bldg.	7	100.0	78,962	1.0	7	100.0	82,487	1.1
			Sasazuka Center Bldg.	9	100.0	260,820	3.4	9	100.0	255,969	3.3
			USC Bldg.	9	93.9	275,260	3.5	9	93.9	283,869	3.7
			Yoshiyasu Kanda Bldg.	6	100.0	101,495	1.3	6	100.0	101,204	1.3
			TOYOTA MOBILITY SERVICE Bldg.	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
			M-City Akasaka 1-chome Bldg.	12	100.0	87,100	1.1	12	100.0	76,813	1.0
			Yokohama i-land Tower	6	98.2	375,142	4.8	7	100.0	653,376	8.5
			M-City Edogawabashi Bldg.	—	—	—	—	2	100.0	(Note 6)	(Note 6)
		Osaka metropolitan area	Twin 21	107	98.2	2,218,637	28.6	110	99.2	2,224,711	28.9
			Matsushita IMP Bldg. (Note 7)	61	96.7	588,183	7.6	—	—	152,897	2.0
			MID REIT Kyobashi Bldg. (Note 8)	—	—	(Note 6)	(Note 6)	—	—	—	—
			MID Imabashi Bldg.	21	100.0	93,652	1.2	21	100.0	94,350	1.2
			Kitahama MID Bldg.	11	100.0	280,462	3.6	11	100.0	281,429	3.7
			MID Nishihommachi Bldg.	18	100.0	80,095	1.0	18	100.0	85,483	1.1
			Higobashi MID Bldg.	12	100.0	111,887	1.4	12	100.0	112,624	1.5
	Other area		Sendai Capital Tower	78	91.5	247,457	3.2	76	95.8	248,216	3.2
	Sub total			423	97.9	—	—	367	99.1	—	—
Other	Three major metropolitan areas	Tokyo metropolitan area	AEON MALL Tsudanuma	1	100.0	726,000	9.4	1	100.0	726,000	9.4
		Osaka metropolitan area	Konami Sports Club Kyobashi	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
	Other area		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				427	98.5	7,764,585	100.0	371	99.4	7,693,769	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 units 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 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 by the leasable area at the end of each fiscal period. 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 “Rental revenues” are excluding other rental business revenues (Utilities, cancellation penalty and other).

Note 4 Total of the rental revenues includes revenues from Sumitomo Fudosan Ueno Bldg. No.6, TOYOTA MOBILITY SERVICE Bldg., M-City Edogawabashi Bldg., 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 disposed 55% of co-quasi ownership in Matsushita IMP Bldg. on September 5, 2018 and disposed remaining 45% of trust beneficial interest in the property on March 8, 2019.

Note 8 MID REIT Kyobashi Bldg. was sold on September 4, 2018.

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

4. Details of investment securities

The details of investment securities as of June 30, 2019 were as follows:

Name	Classification of assets	Quantity	Net book Value (Thousands of yen)		Fair value (Note 2) (Thousands of yen)		Unrealized gains (or losses) (Thousands of yen)	Remarks
			Per unit	Amount	Per unit	Amount		
Equity interest of TK agreement managed by R40 Godo Kaisha (Note 1)	Investment in Tokumei Kumiai agreement	—	—	5,085,027	—	5,085,027	—	—
Total			—	5,085,027	—	5,085,027	—	

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 Tokumei Kumiai agreement.

5. Details of specified transaction

The details of specified transaction as of June 30, 2019 were as follows:

Classification	Transaction	Notional contract amount (Thousands of yen)		Fair value (Note 1) (Thousands of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	32,600,000	28,600,000	(309,976)
Total		32,600,000	28,600,000	(309,976)

Note 1 The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

6. Other assets

Real property and trust beneficial interests in real property are included the above tables in “3. Details of property.”

7. Investment assets by country or area

There is no investment asset other than Japan.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2019 was as below. The amounts of estimated cost shown in the below table can be including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended June 30, 2019	Total of advanced payment
Yokohama i-land Tower	Naka-ku, Yokohama-shi	Renewal of security system	October, 2019 to December, 2019	539	—	—
Cube Kawasaki	Kawasaki-ku, Kawasaki-shi	Renewal of heat system	September, 2019 to January, 2020	314	—	—
Yokohama i-land Tower	Naka-ku, Yokohama-shi	Repair of smoking area	October, 2019 to June, 2020	101	—	—
Twin 21	Chuo-ku, Osaka-shi	Renewal of drainage pipe	July 2019 to December, 2019	77	—	—
Yokohama i-land Tower	Naka-ku, Yokohama-shi	Repair of women's rest room	October, 2019 to June, 2020	72	—	—

2. Capital expenditures for the six months ended June 30, 2019

Maintenance expenditures on property for the six months ended June 30, 2019 were totaling to ¥1,019 million consisting of ¥750 million of capital expenditures stated as below and ¥268 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
Twin 21	Chuo-ku, Osaka-shi	Repair of South Plaza	March 2019 to June 2019	81
Twin 21	Chuo-ku, Osaka-shi	Renewal of drainage pipe	December 2018 to June 2019	72
Twin 21	Chuo-ku, Osaka-shi	Repair of air conditioning system at standard floor	June 2018 to February 2019	62
Twin 21	Chuo-ku, Osaka-shi	Repair of rest room at lower floors	March 2019 to May 2019	59
Twin 21	Chuo-ku, Osaka-shi	Renewal of air conditioner	December 2018 to June 2019	57
Other properties, etc.	—	Other capital expenditures	—	417
Total				750

3. Reserved funds for long-term maintenance plan

The Investment Corporation had reserved funds as below to appropriate for future expenditures on maintenance based on a long-term maintenance plan.

(Millions of yen)					
Fiscal period	22 nd	23 rd	24 th	25 th	26 th
As of /for the six months ended	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019
Reserved funds at beginning of period	1,546	1,539	1,581	389	—
Increase	851	817	298	12	—
Decrease	858	775	1,490	401	—
Reserved funds at end of period	1,539	1,581	389	—	—

Note The Investment Corporation had decided not to reserve funds for future expenditures on maintenance based on a long-term maintenance plan from the 25th fiscal period.

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Fiscal period	25 th	26 th
For the six months ended	December 31, 2018	June 30, 2019
(a) Asset management fees	789,078	824,956
(b) Asset custody fees	5,961	5,970
(c) Administrative service fees	36,548	37,283
(d) Directors' compensations	8,700	11,020
(e) Independent auditor fees	11,500	11,500
(f) Other operating expenses	62,380	67,632
Total	914,168	958,363

Note The amount of asset management fees for the six months ended December 31, 2018 does not include ¥221,000 thousand of asset management fees related to acquisition capitalized as part of the acquisition cost of properties and ¥165,500 thousand of asset management fees related to disposal charged to income as expenses relating to sales of properties. Also, the amount of asset management fees for the six months ended June 30, 2019 does not include ¥40,700 thousand of asset management fees related to acquisition capitalized as part of the acquisition cost of properties and ¥121,500 thousand of asset management fees related to disposal charged to income as expenses relating to sales of properties.

2. Loans payable

Please refer to “Note 9—Loans Payable” in the accompanying financial statements.

3. Investment corporation bonds

Please refer to “Note 11—Investment Corporation Bonds” in the accompanying financial statements.

4. Short-term investment corporation bonds

None

5. Investment unit warrants

None

Condition of investment transactions

1. Transactions of property and asset-backed securities, etc.

(Millions of yen)

Name of real property, etc.	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note 1)	Date of disposal	Disposal amount (Note1)	Net book value	Gain (loss) on disposal (Note2)
M-City Edogawabashi Bldg.	March 19, 2019	4,070	—	—	—	—
Matsushita IMP Bldg. (Note 3)	—	—	March 8, 2019	12,150	9,934	1,938
Total	—	4,070	—	12,150	9,934	1,938

Note 1 “Acquisition cost” or “Disposal amount” indicates contracted amount of property in purchase/disposal agreement excluding related expenses (brokerage fee, taxes, etc.).

Note 2 “Gain (loss) on disposal” is calculated by deducting net book value and relating expenses from the disposal amount.

Note 3 The Investment Corporation sold 45% of co-quasi ownership in Matsushita IMP Bldg.

2. Transactions of other assets

Other assets than property or asset-backed securities, etc. are bank deposits and bank deposits in trust.

3. Research for specified assets value, etc.

(1) Property

(Millions of yen)

Acquisition/ Disposal	Form of ownership	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Appraisal Value (Note 2)	Appraiser	Date of appraisal
Acquisition	Trust beneficial interest	M-City Edogawabashi Bldg.	March 19, 2019	4,070	4,240	JLL Morii Valuation & Advisory K.K.	January 31, 2019
	Total			4,070	4,240	—	—
Disposal	Trust beneficial interest	Matsushita IMP Bldg.	March 8, 2019	12,150 (Note 3)	10,000 (Note 3)	Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2019
	Total			12,150	10,000	—	—

Note 1 “Acquisition cost / Disposal amount” indicates contracted amount of property in purchase/disposal agreement excluding related expenses (brokerage fee, taxes, etc.).

Note 2 As an amendment of Article 201 of the Act on Investments Trusts and Investment Corporation of Japan had been effective on November 24, 2011, the Investment Corporation obtains appraisal value of the specified assets prescribed under Article 201, Paragraph 1, the Act on Investments Trusts and Investment Corporation of Japan (land or building, leasehold rights and superficies of land as well as trust beneficiary interest only consist of these assets (limited to interest held by a single investor) by real estate appraiser (but not interested party) when the specified asset is acquired or disposed. The appraisal value above is based on “Paragraph 3 – Appraisal of Securitized Real Estate” of the Real Estate Appraisal Standards of Japan.

Note 3 The disposal amount and appraisal value of Matsushita IMP Bldg. represent the amount equivalent to 45% disposal of co-quasi ownership in the property.

(2) Asset backed securities

None

(3) Other transaction

None

4. Transactions with interested parties

(1) Outline of transactions

None

(2) Amounts of fees paid and other expenses

There were no fees to interested parties for the six months ended June 30, 2019. For other expenses, the Investment Corporation paid ¥138,428 thousand of utilities to The Kansai Electric Power Company, Incorporated during the period.

On April 1, Kanden Realty & Development Co., Ltd. sold all shares of MCUBS MidCity Inc. to Mitsubishi Corp.- UBS Realty Inc. As a result of this transferring of the shares, The Kansai Electric Power Company is no longer interested party of the Investment Corporation as of June 30, 2019. Therefore, the amount of utilities above represents payments during the period of interested party.

5. Transactions with asset manager relating to other business than asset management

None

Financial information

1. Financial position and operating results

Please refer to the accompanying financial statements.

2. Changes in depreciation method

None

3. Changes in valuation method of real property

None

Other information

1. Notice

General Meeting of Unitholders

The 8th General Meeting of Unitholders was held on March 15, 2019 and following matters were resolved at the meeting.

Resolution proposal	Summary
Partial amendment of the Articles of Incorporation	(1) Date display was changed from Japanese calendar date to Western calendar date except for decree numbers. (2) As for the acquisition fee or disposal fee to the Asset Manager of the Investment Corporation, amendments were made to cover calculation of remuneration for securities etc. backed by real estate. (3) A provision was newly established relating to the merger fees and the timing of payment of such fees in the event that the Investment Corporation merges with another investment corporation.
Appointment of one executive director	Katsuhiro Tsuchiya was appointed as proposal.
Appointment of two alternate executive directors	Katsura Matsuo and Naoki Suzuki were appointed as proposal.
Appointment of three supervisory directors	Haruo Kitamura, Osamu Ito and Kyoko Nagata were appointed as proposal.

The Board of Directors Meeting

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended June 30, 2019 was as follows:

Approval day	Item	Summary
March 28, 2019	Modification of asset management agreement	Establishment of provisions relating to the merger fees or other modifications of the Articles of Incorporation were made, according to resolution of the 8th General Meeting for Unitholders held on March 15, 2019.

2. Investment trust beneficiary interest of the Investment Corporation

None

3. Overseas real estate investment corporation and property held by the corporation

None

4. Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this presentation. As a result, the total shown in this presentation do not necessarily agree to the sum of the individual items.



Independent Auditor's Report

To the Board of Directors of
MCUBS MidCity Investment Corporation:

We have audited the accompanying financial statements of MCUBS MidCity Investment Corporation (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at June 30, 2019 and December 31, 2018, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for the six months ended June 30, 2019 and December 31, 2018 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MCUBS MidCity Investment Corporation as at June 30, 2019 and December 31, 2018, and their financial performance and cash flows for the six months ended June 30, 2019 and December 31, 2018 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the six months ended June 30, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the financial statements.

KPMG AZSA LLC

September 11, 2019
Tokyo, Japan

MCUBS MIDCITY INVESTMENT CORPORATION
BALANCE SHEETS
As of December 31, 2018 and June 30, 2019

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 3 and 18)	¥ 12,094	¥ 12,862	\$ 119,324
Cash and bank deposits in trust (Notes 3 and 18)	4,872	4,337	40,235
Rental receivables.....	180	172	1,595
Income taxes receivable.....	33	32	296
Prepaid expenses	68	47	436
Other	0	—	—
Total current assets	17,248	17,452	161,907
Noncurrent assets:			
Property and equipment, at cost (Notes 5 and 7):			
Buildings in trust (Note 4)	80,908	75,054	696,298
Structures in trust.....	116	188	1,744
Machinery and equipment in trust	5	4	37
Tools, furniture and fixtures in trust (Note 4)	563	516	4,787
Land in trust	197,324	195,353	1,812,348
Construction in progress in trust.....	22	27	250
Total property and equipment	278,941	271,144	2,515,483
Less: Accumulated depreciation	21,265	19,614	181,964
Total net property and equipment	257,676	251,530	2,333,518
Intangible assets (Note 6):			
Software	2	2	18
Total intangible assets	2	2	18
Investments and other assets:			
Investment securities (Notes 8 and 18)	5,085	5,085	47,175
Lease and guarantee deposits.....	10	10	92
Long-term prepaid expenses.....	645	557	5,167
Deferred tax assets (Note 16)	0	0	0
Total investments and other assets	5,740	5,652	52,435
Total noncurrent assets	263,419	257,185	2,385,982
Deferred charges:			
Investment corporation bonds issuance costs	61	56	519
Investment unit issuance costs.....	59	41	380
Total deferred charges	121	98	909
TOTAL ASSETS	¥ 280,790	¥ 274,736	\$ 2,548,807

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
BALANCE SHEETS
As of December 31, 2018 and June 30, 2019

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Operating accounts payable	¥ 581	¥ 365	\$ 3,386
Short-term loans payable (Notes 9 and 18).....	6,900	—	—
Current portion of long-term loans payable (Notes 9 and 18)	15,200	23,750	220,335
Accounts payable	1,007	1,179	10,937
Accrued expenses	143	152	1,410
Distribution payable	12	12	111
Consumption taxes payable	129	507	4,703
Advances received	1,102	1,159	10,752
Other	698	605	5,612
Total current liabilities	25,775	27,733	257,287
Noncurrent liabilities:			
Investment corporation bonds – unsecured (Notes 11 and 18)	8,000	8,000	74,218
Long-term loans payable (Notes 9 and 18).....	92,775	84,225	781,380
Tenant leasehold and security deposits (Note 18)	12,341	12,706	117,877
Tenant leasehold and security deposits in trust (Note 18)	639	—	—
Total noncurrent liabilities	113,756	104,931	973,476
TOTAL LIABILITIES	139,532	132,665	1,230,772
NET ASSETS (Note 12)			
Unitholders' equity:			
Unitholders' capital, 10,000,000 units authorized; 1,643,125 units as of December 31, 2018 and June 30, 2019 issued and outstanding	136,452	136,452	1,265,905
Surplus:			
Voluntary reserve			
Reserve for reduction entry of property	183	622	5,770
Total voluntary reserve	183	622	5,770
Retained earnings	4,621	4,995	46,340
Total surplus	4,805	5,618	52,119
Total unitholders' equity	141,257	142,070	1,318,025
TOTAL NET ASSETS	141,257	142,070	1,318,025
TOTAL LIABILITIES AND NET ASSETS	¥ 280,790	¥ 274,736	\$ 2,548,807

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the six months ended December 31, 2018 and June 30, 2019

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Operating revenues			
Rent revenues—real estate (Note 14)	¥ 7,764	¥ 7,693	\$ 71,370
Other rental business revenues (Note 14)	604	485	4,499
Dividends income	165	161	1,493
Gain on sales of property and equipment (Note 15).....	2,263	1,938	17,979
Total operating revenues	10,798	10,279	95,361
Operating expenses			
Expenses related to rental business (Note 14).....	4,128	3,682	34,159
Loss on sales of property and equipment (Note 15).....	427	—	—
Asset management fees	789	824	7,644
Asset custody fees	5	5	46
Administrative service fees.....	36	37	343
Directors' compensations.....	8	11	102
Other.....	73	79	732
Total operating expenses	5,470	4,641	43,055
Operating income	5,327	5,638	52,305
Non-operating income			
Interest income	0	0	0
Reversal of distribution payable	0	1	9
Interest on refund.....	1	0	0
Settlement money for property tax.	—	0	0
Other.....	0	0	0
Total non-operating income	2	2	18
Non-operating expenses			
Interest expenses.....	431	423	3,924
Interest expenses on investment corporation bonds	22	22	204
Borrowing related expenses.....	138	130	1,206
Amortization of investment corporation bonds issuance costs	5	5	46
Amortization of investment unit issuance costs	19	17	157
Other.....	89	46	426
Total non-operating expenses	708	646	5,993
Ordinary income	4,621	4,994	46,330
Extraordinary gain			
Subsidy income	—	0	0
Total extraordinary gain	—	0	0
Income before income taxes	4,621	4,994	46,330
Income taxes (Note 16):			
Current	0	0	0
Deferred	0	0	0
Total income taxes	0	0	0
Net income	4,620	4,994	46,330
Retained earnings brought forward	1	1	9
Unappropriated retained earnings (Note 13)	¥ 4,621	¥ 4,995	\$ 46,340

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended December 31, 2018 and June 30, 2019

	Unitholders' equity						
	Surplus						
		Voluntary reserve					
	Unitholders' capital	Reserve for reduction entry of property	Total voluntary reserve	Retained earnings (in millions of yen)	Total surplus	Total unitholders' equity	Total net assets
Balance as of June 30, 2018.....	¥ 136,452	¥ 183	¥ 183	¥ 2,768	¥ 2,951	¥ 139,404	¥ 139,404
Changes during the period							
Dividends from surplus.....	—	—	—	(2,767)	(2,767)	(2,767)	(2,767)
Net income	—	—	—	4,620	4,620	4,620	4,620
Total changes during the period.....	—	—	—	1,853	1,853	1,853	1,853
Balance as of December 31, 2018.....	¥ 136,452	¥ 183	¥ 183	¥ 4,621	¥ 4,805	¥ 141,257	¥ 141,257
Changes during the period							
Provision of reserve for reduction entry of property .	—	439	439	(439)	—	—	—
Dividends from surplus.....	—	—	—	(4,181)	(4,181)	(4,181)	(4,181)
Net income	—	—	—	4,994	4,994	4,994	4,994
Total changes during the period.....	—	439	439	373	812	812	812
Balance as of June 30, 2019.....	¥ 136,452	¥ 622	¥ 622	¥ 4,995	¥ 5,618	¥ 142,070	¥ 142,070

	Unitholders' equity						
	Surplus						
		Voluntary reserve					
	Unitholders' capital	Reserve for reduction entry of property	Total voluntary reserve	Retained earnings	Total surplus	Total unitholders' equity	Total net assets

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the six months ended December 31, 2018 and June 30, 2019

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes.....	¥ 4,621	¥ 4,994	\$ 46,330
Depreciation and amortization	1,325	1,220	11,318
Amortization of long-term prepaid expenses	97	102	946
Amortization of investment unit issuance costs	19	17	157
Amortization of investment corporation bonds issuance costs.....	5	5	46
Interest income	(0)	(0)	(0)
Interest expenses	454	446	4,137
Changes in assets and liabilities:			
Decrease (increase) in operating accounts receivable.....	(5)	7	64
Decrease (increase) in consumption taxes refundable.....	251	—	—
Increase (decrease) in consumption taxes payable	129	378	3,506
Increase (decrease) in operating accounts payable	168	(215)	(1,994)
Increase (decrease) in accounts payable	85	45	417
Increase (decrease) in advances received	(125)	57	528
Decrease (increase) in prepaid expenses	(31)	20	185
Payments of long-term prepaid expenses	(182)	(14)	(129)
Decrease in property, plant and equipment in trust due to disposition.....	14,317	9,934	92,160
Other, net.....	1	(30)	(278)
Subtotal.....	21,133	16,971	157,445
Interest income received.....	0	0	0
Interest expenses paid.....	(460)	(437)	(4,054)
Income taxes paid.....	(7)	(0)	(0)
Net cash provided by operating activities	20,665	16,534	153,390
Cash flows from investing activities:			
Purchases of property and equipment in trust	(23,306)	(4,882)	(45,291)
Purchases of intangible assets	(0)	(0)	0
Proceeds from tenant leasehold and security deposits.....	404	555	5,148
Proceeds from tenant leasehold and security deposits in trust.....	32	24	222
Payments of tenant leasehold and security deposits	(1,428)	(204)	(1,892)
Payments of tenant leasehold and security deposits in trust	(19)	(713)	(6,614)
Proceeds from restricted bank deposits in trust	19	713	6,614
Payments for restricted bank deposits in trust	(708)	(24)	(222)
Net cash used in investing activities	(25,007)	(4,532)	(42,044)
Cash flows from financing activities:			
Proceeds from short-term loans payable	6,900	—	—
Repayments of short-term loans payable	—	(6,900)	(64,013)
Proceeds from long-term loans payable	15,300	—	—
Repayments of long-term loans payable	(15,300)	—	—
Dividends paid	(2,765)	(4,180)	(38,779)
Other, net.....	(34)	—	—
Net cash provided by (used in) financing activities	4,100	(11,080)	(102,792)
Net change in cash and cash equivalents	(241)	921	8,544
Cash and cash equivalents at the beginning of period.....	16,518	16,277	151,006
Cash and cash equivalents at the end of period (Note 3).....	¥ 16,277	¥ 17,199	\$ 159,560

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the six months ended December 31, 2018 and June 30, 2019

Note 1 — Organization

MCUBS MidCity Investment Corporation (the “Company”), a real estate investment corporation, with initial capital of ¥100 million, was incorporated on June 1, 2006, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) and listed on the J-REIT section of the Tokyo Stock Exchange on August 29, 2006.

The Company is externally managed by a registered asset management company, Mitsubishi Corp.- UBS Realty Inc. (formerly: MCUBS MidCity Inc.) (the “Asset Manager”). Although the Asset Manager had been owned by Mitsubishi Corp. - UBS Realty Inc. and Kanden Realty & Development Co., Ltd., Kanden Realty & Development Co., Ltd. sold all shares of MCUBS MidCity Inc. to Mitsubishi Corp.- UBS Realty Inc. On April 1. Also, an absorption-type merger has been conducted with MCUBS MidCity Inc. as the dissolving company and Mitsubishi Corp.- UBS Realty Inc. as the surviving company, on July 1, 2019.

The Company was formed to invest primarily in office properties in Japan. The Company raised ¥88,587 million through an initial public offering of 180,000 investment units on August 28, 2006 and acquired trust beneficiary interest in entrusted real estate (trust beneficiary interest in real estate) for nine properties on August 31, 2006 for an aggregate purchase price of ¥146 billion by utilizing net proceeds from the initial public offering and loans payable from banks.

The total assets managed by the Company at the end of the 26th fiscal period (June 30, 2019) amounted to ¥260.6 billion (US\$2,417 million) (the total acquisition price of 23 properties).

Note 2 — Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act. In preparing the accompanying financial statements, certain information in the notes has been added to the financial statements issued domestically for the convenience of the readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company’s fiscal period is a six-month period which ends at the end of June and December of each year.

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥107.79 = US\$1, the effective rate of exchange prevailing at June 30, 2019. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2019 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

Amounts less than ¥1 million and US\$ 1 thousand have been rounded down. As a result, the total shown in the financial statements and notes thereto does not necessarily agree to the sum of individual account balances.

The Company does not prepare consolidated financial statements as it has no subsidiaries.

(b) 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.

(c) Property and Equipment (Including Trust Assets)

Property and equipment is recorded at cost. Depreciation of property 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

(d) Intangible assets

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

(e) Long-term Prepaid Expenses

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

(f) Accounting Treatment of Trust Beneficiary Interests in Real Estate Trusts

For trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Company 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 Company 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 sheets of the Company.

(g) Accounting Treatment of Investments in Tokumei Kumiai

Investments in Tokumei Kumiai (“TK”), which are presented as investment securities in the balance sheets, are accounted for using the equity method of accounting. Under the equity method, the initial and additional subsequent investments in a TK are recorded at cost and the carrying amount at the balance sheet date is adjusted for the Company’s share of the undistributed earnings or losses and distributions received from the TK.

(h) Hedge Accounting

In accordance with the Company’s risk management policy and its internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company’s articles of incorporation. The Company 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 rate swap contracts can be recognized and added to or deducted from any interest earned or incurred on the hedged asset or liability, as appropriate, and the fair value of the interest rate swaps 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) 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.

(j) Investment Unit Issuance Costs

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

(k) Income Taxes

Deferred tax assets and liabilities are computed based on the temporary differences between the financial statement and income tax basis of assets and liabilities using the applicable statutory tax rate.

(l) Consumption Taxes

Consumption taxes withheld and consumption taxes paid are not included in the statements 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.

(m) Taxes on Property and Equipment

Property 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 Japanese GAAP. In subsequent calendar years, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥64 million and ¥13 million (US\$120 thousand) for the six months ended December 31, 2018 and June 30, 2019.

(n) Revenue Recognition

Revenues from the leasing of properties includes fixed rental revenues, variable rental revenues, sales-based rental revenues, recoveries of utility charges and other miscellaneous income, which are all recognized in a pattern appropriate for each revenue stream.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents shown in the statements of cash flows consist of the following balance sheet items.

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 12,094	¥ 12,862	\$ 119,324
Cash and bank deposits in trust	4,872	4,337	40,235
Restricted bank deposits in trust ⁽¹⁾	(689)	—	—
Cash and cash equivalents	¥ 16,277	¥ 17,199	\$ 159,560

Note:

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

Note 4 – Reduction Entry of Property

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Reduction entry by:			
Government subsidies received			
Buildings in trust	¥ 54	¥ 54	\$ 500
Tools, furniture and fixtures in trust	7	7	64
Insurance income			
Buildings in trust	68	68	630

Note 5 – Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended December 31, 2018 and June 30, 2019, respectively.

For the six months ended December 31, 2018:

	At cost			Ending balance (in millions of yen)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Buildings in trust	¥ 82,352	¥ 8,257	¥ 9,700	¥ 80,908	¥ 20,830	¥ 1,299	¥ 60,078
Structures in trust	139	0	23	116	31	3	85
Machinery and equipment in trust	7	—	2	5	2	0	3
Tools, furniture and fixtures in trust	635	5	78	563	401	22	162
Land in trust	190,332	15,189	8,197	197,324	—	—	197,324
Construction in progress in trust ...	14	9	1	22	—	—	22
Total	¥ 273,482	¥ 23,462	¥ 18,003	¥ 278,941	¥ 21,265	¥ 1,325	¥ 257,676

For the six months ended June 30, 2019:

	At cost			Ending balance (in millions of yen)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Buildings in trust	¥ 80,908	¥ 1,200	¥ 7,054	¥ 75,054	¥ 19,219	¥ 1,198	¥ 55,834
Structures in trust	116	91	19	188	28	3	160
Machinery and equipment in trust	5	—	1	4	2	0	2
Tools, furniture and fixtures in trust	563	16	63	516	364	18	152
Land in trust	197,324	3,695	5,666	195,353	—	—	195,353
Construction in progress in trust ...	22	5	0	27	—	—	27
Total	¥ 278,941	¥ 5,008	¥ 12,805	¥ 271,144	¥ 19,614	¥ 1,220	¥ 251,530

	At cost			Ending balance (in thousands of U.S. dollars)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Buildings in trust	\$ 750,607	\$ 11,132	\$ 65,442	\$ 696,298	\$ 178,300	\$ 11,114	\$ 517,988
Structures in trust	1,076	844	176	1,744	259	27	1,484
Machinery and equipment in trust	46	—	9	37	18	0	18
Tools, furniture and fixtures in trust	5,223	148	584	4,787	3,376	166	1,410
Land in trust	1,830,633	34,279	52,565	1,812,348	—	—	1,812,348
Construction in progress in trust ...	204	46	0	250	—	—	250
Total	\$ 2,587,818	\$ 46,460	\$ 118,795	\$ 2,515,483	\$ 181,964	\$ 11,318	\$ 2,333,518

Note 6 – Intangible Assets

The following tables show the summary of movement in intangible assets for the six months ended December 31, 2018 and June 30, 2019, respectively.

For the six months ended December 31, 2018:

	At cost			Ending balance (in millions of yen)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Software	¥ 6	¥ 0	¥ —	¥ 6	¥ 3	¥ 0	¥ 2
Trademark right	1	—	—	1	1	0	—
Total	¥ 7	¥ 0	¥ —	¥ 7	¥ 5	¥ 0	¥ 2

For the six months ended June 30, 2019:

	At cost			Ending balance (in millions of yen)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Software	¥ 6	¥ 0	¥ —	¥ 6	¥ 4	¥ 0	¥ 2
Total	¥ 6	¥ 0	¥ —	¥ 6	¥ 4	¥ 0	¥ 2

	At cost			Ending balance (in thousands of U.S. dollars)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Software	\$ 55	\$ 0	\$ —	\$ 55	\$ 37	\$ 0	\$ 18
Total	\$ 55	\$ 0	\$ —	\$ 55	\$ 37	\$ 0	\$ 18

Note 7 – Fair Value of Investment and Rental Properties

The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2018 and June 30, 2019.

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019 (in thousands of U.S. dollars)
	(in millions of yen)		
Net book value			
Balance at the beginning of the period	¥ 249,844	¥ 257,654	\$ 2,390,333
Net increase (decrease) during the period ⁽¹⁾	7,809	(6,150)	(57,055)
Balance at the end of the period	¥ 257,654	¥ 251,503	\$ 2,333,268
Fair value⁽²⁾	267,920	267,940	2,485,759

Notes:

(1) For the six months ended December 31, 2018:

Changes in the net book value are mainly due to the following transactions and other capital expenditures offset by depreciation.

		Increase (decrease) in net book value (in millions of yen)
Acquisition:	Yokohama i-land Tower	¥ 22,870
Dispositions:	Matsushita IMP Bldg. (partial disposition)	(12,261)
	MID REIT Kyobashi Bldg.	(2,056)

For the six months ended June 30, 2019:

Changes in the net book value are mainly due to the following transactions and other capital expenditures offset by depreciation.

		Increase (decrease) in net book value (in millions of yen)
Acquisition:	M-City Edogawabashi Bldg.	¥ 4,135
Disposition:	Matsushita IMP Bldg.	(9,934)

(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 December 31, 2018 and June 30, 2019, please refer to “Note 14 - Rental Business Revenues and Expenses.”

Note 8 – Investments in Tokumei Kumiai

The Company invests in real estate properties by entering into TK agreements as a Tokumei Kumiai investor (“TK investor”) with Japanese special purpose companies known as Tokumei Kumiai operators (“TK operators”), which are the property holding entities. Such TK transactions are a common method of investing and holding real estate properties in Japan. The relationship between the TK operators and the TK investors is governed by TK agreements, whereby the TK investors provide funds to the TK operators in return for the prorated portion of the income derived from the investments in properties held by the TK operators. Information on investments in TK as of December 31, 2018 and June 30, 2019 is as follows:

As of December 31, 2018:

Name of TK operator	Carrying amounts	The value of TK ⁽¹⁾	Unrealized gains (or losses)
	(in millions of yen)		
R40 Godo Kaisha ⁽²⁾	¥ 5,085	¥ 5,085	¥ —
Total	¥ 5,085	¥ 5,085	¥ —

As of June 30, 2019:

Name of TK operator	Carrying amounts	The value of TK ⁽¹⁾	Unrealized gains (or losses)	Carrying amounts	The value of TK ⁽¹⁾	Unrealized gains (or losses)
	(in millions of yen)			(in thousands of U.S. dollars)		
R40 Godo Kaisha ⁽²⁾	¥ 5,085	¥ 5,085	¥ —	\$ 47,175	\$ 47,175	\$ —
Total	¥ 5,085	¥ 5,085	¥ —	\$ 47,175	\$ 47,175	\$ —

Note:

- (1) The value of TK represents carrying amounts because it is too difficult to estimate fair value based on reasonable future cash flow.
- (2) 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 9 – Loans Payable

The following tables show the details of loans payable as of December 31, 2018 and June 30, 2019.

Classification	Borrowing date	Maturity date	Average interest rate ⁽¹⁾	Balance as of		
				December 31, 2018	June 30, 2019	June 30, 2019
				(in millions of yen)		(in thousands of U.S. dollars)
Short-term loans payable	September 12, 2018	April 30, 2019	0.160	¥ 6,900	¥ (Note 5) —	\$ —
	Short -term loans payable total			6,900	—	—
Long-term loans payable	July 31, 2012	July 31, 2019	(Note 3) 1.524	¥ 1,700	¥ (Note 4) 1,700	\$ 15,771
	July 31, 2013	July 31, 2020	(Note 3) 1.709	1,800	1,800	16,699
	July 31, 2014	July 31, 2019	(Note 2) 0.962	4,000	(Note 4) 4,000	37,109
	July 31, 2014	July 31, 2020	(Note 2) 1.240	2,000	2,000	18,554
	July 31, 2014	July 31, 2021	(Note 3) 1.478	1,800	1,800	16,699
	July 31, 2015	July 31, 2019	0.569	9,500	(Note 4) 9,500	88,134
	July 31, 2015	July 31, 2021	(Note 2) 1.034	4,500	4,500	41,747
	July 31, 2015	July 31, 2023	(Note 2) 1.384	1,000	1,000	9,277
	July 31, 2015	July 31, 2020	(Note 2) 0.865	9,300	9,300	86,278
	July 31, 2015	July 31, 2020	(Note 3) 0.908	1,200	1,200	11,132
	July 31, 2015	July 31, 2022	(Note 2) 1.202	2,200	2,200	20,410
	July 31, 2015	July 31, 2022	(Note 3) 1.233	800	800	7,421
	July 31, 2015	July 31, 2023	(Note 2) 1.384	500	500	4,638
	July 31, 2015	July 31, 2023	(Note 3) 1.400	500	500	4,638
	April 28, 2016	April 30, 2021	(Note 2) 0.498	2,800	2,800	25,976
	July 29, 2016	January 31, 2020	0.379	3,700	(Note 4) 3,700	34,326
	July 29, 2016	January 31, 2020	(Note 3) 0.373	2,250	(Note 4) 2,250	20,873
	July 29, 2016	January 31, 2020	(Note 3) 0.373	2,600	(Note 4) 2,600	24,120
	July 29, 2016	January 31, 2021	(Note 3) 0.451	2,500	2,500	23,193
	July 29, 2016	July 31, 2021	(Note 3) 0.494	2,650	2,650	24,584
	July 29, 2016	July 31, 2024	(Note 3) 0.735	4,700	4,700	43,603
	January 31, 2017	January 31, 2022	(Note 3) 0.647	4,000	4,000	37,109
	January 31, 2017	January 31, 2024	(Note 3) 0.809	4,000	4,000	37,109
	July 31, 2017	July 31, 2023	(Note 3) 0.680	1,900	1,900	17,626
	July 31, 2017	July 31, 2023	(Note 3) 0.688	1,000	1,000	9,277
	July 31, 2017	July 31, 2025	(Note 3) 0.856	3,975	3,975	36,877
	July 31, 2017	July 31, 2027	(Note 3) 1.040	3,900	3,900	36,181
	July 31, 2017	July 29, 2022	(Note 3) 0.524	2,900	2,900	26,904
	February 28, 2018	February 28, 2023	0.369	2,400	2,400	22,265
	February 28, 2018	February 28, 2025	(Note 3) 0.640	1,200	1,200	11,132
	February 28, 2018	February 28, 2025	(Note 3) 0.719	2,700	2,700	25,048
	February 28, 2018	February 27, 2026	(Note 3) 0.800	2,700	2,700	25,048
	July 31, 2018	July 31, 2028	(Note 2) 0.923	3,400	3,400	31,542
	July 31, 2018	July 31, 2028	(Note 3) 1.019	1,500	1,500	13,915
	July 31, 2018	July 31, 2026	(Note 2) 0.777	2,900	2,900	26,904
	July 31, 2018	July 31, 2026	(Note 3) 0.770	2,000	2,000	18,554
	July 31, 2018	July 31, 2026	(Note 3) 0.834	800	800	7,421
	July 31, 2018	July 31, 2025	(Note 3) 0.743	1,800	1,800	16,699
	July 31, 2018	January 31, 2023	0.344	2,900	2,900	26,904
	Long-term loans payable total			107,975	107,975	1,001,716
	Loans payable total			¥ 114,875	¥ 107,975	\$ 1,001,716

Notes:

- (1) The average interest rate indicates a weighted average of interest rate for each six-month period, rounded to the third decimal place. The average interest rates of loans payable which are hedged by interest rate swaps are calculated adjusting the effect of the interest rate swaps.
- (2) These term loans are hedged by interest rate swaps.
- (3) Interest rates of these term loans are fixed rate.
- (4) Current portion of these term loans is shown as current portion of long-term loans payable in the balance sheets.
- (5) The investment repaid all principal of the borrowings on March 29, 2019 in advance of the due date.

Annual repayments of long-term loans payable scheduled for next five years after each balance sheet date are as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019 (in thousands of U.S. dollars)
(in millions of yen)			
Up to 1 year.....	¥ 15,200	¥ 23,750	\$ 220,335
1-2 years.....	22,850	19,600	181,835
2-3 years.....	14,250	12,950	120,141
3-4 years.....	9,900	11,200	103,905
4-5 years.....	10,200	8,900	82,567

Note 10 – Commitment line

As of December 31, 2018 and June 30, 2019, the Company entered into committed lines of credit with Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and MUFG Bank, Ltd. as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Total amount of committed lines of credit	¥ 15,000	¥ 15,000	\$ 139,159
Borrowings drawn down	—	—	—
Unused committed lines of credit	¥ 15,000	¥ 15,000	\$ 139,159

Note 11 – Investment Corporation Bonds

The details of the unsecured investment corporation bonds issued and outstanding as of December 31, 2018 and June 30, 2019 are as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
¥1.5 billion of 5-year bonds, issued on May 23, 2016, maturing on May 21, 2021 with a coupon of 0.340%	¥ 1,500	¥ 1,500	\$ 13,915
¥1.5 billion of 10-year bonds, issued on May 23, 2016, maturing on May 22, 2026 with a coupon of 0.810%	1,500	1,500	13,915
¥1 billion of 5-year bonds, issued on May 29, 2017, maturing on May 27, 2022 with a coupon of 0.260%	1,000	1,000	9,277
¥2 billion of 10-year bonds, issued on May 29, 2017, maturing on May 28, 2027 with a coupon of 0.670%	2,000	2,000	18,554
¥2 billion of 10-year bonds, issued on May 29, 2018, maturing on May 29, 2028 with a coupon of 0.590%	2,000	2,000	18,554
Total	¥ 8,000	¥ 8,000	\$ 74,218

Annual repayments on the investment corporation bonds scheduled for next five years after each balance sheet date are as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Up to 1 year	¥ —	¥ —	\$ —
1-2 years	—	1,500	13,915
2-3 years	1,500	1,000	9,277
3-4 years	1,000	—	—
4-5 years	—	—	—

Note 12 – Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50 million (US\$463 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of units issued and outstanding are 1,643,125 units as of December 31, 2018 and June 30, 2019, respectively.

Note 13 – Appropriation of Retained Earnings

In accordance with the distribution policy in Article 34, Paragraph 1, Item 2 of the Company's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in the Special Taxation Measures Act of Japan for the fiscal period, the Company generally intends to distribute all of distributable profit except for fractional distribution per investment unit less than one yen as regular distributions to unitholders with respect to its fiscal periods.

The following table shows the appropriation of retained earnings for the six months ended December 31, 2018 and June 30, 2019, respectively.

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 4,621	¥ 4,995	\$ 46,340
Cash distribution declared	(4,181)	(4,520)	(41,933)
Provision of reserve for reduction entry of property	(439)	(474)	(4,397)
Retained earnings carried forward	¥ 1	¥ 0	\$ 0

For the year ended December 31, 2018, the Company transferred ¥439 million to provision of reserve for reduction entry of property from unappropriated retained earnings of ¥4,621 million at the end of the period.

For the year ended June 30, 2019, the Company transferred ¥474 million (US\$4,397 thousand) to provision of reserve for reduction entry of property from unappropriated retained earnings of ¥4,995 million (US\$46,340 thousand) at the end of the period.

Cash distributions per investment unit are ¥2,545 and ¥2,751 (US\$25) for the six months ended December 31, 2018 and June 30, 2019, respectively.

Note 14 – Rental Business Revenues and Expenses

Revenues and expenses related to property rental business for the six months ended December 31, 2018 and June 30, 2019 consist of the following:

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Rental business revenues:			
Rent revenues—real estate:			
Rental revenues	¥ 6,240	¥ 6,212	\$ 57,630
Common area charges	1,293	1,282	11,893
Parking lots	230	199	1,846
Total rent revenues—real estate	7,764	7,693	71,370
Other rental business revenues:			
Utilities	491	415	3,850
Cancellation penalty	24	—	—
Other	88	70	649
Total other rental business revenues	604	485	4,499
Total rental business revenues	¥ 8,369	¥ 8,179	\$ 75,879
Expenses related to rental business:			
Property management fees	¥ 888	¥ 867	\$ 8,043
Utilities	737	595	5,519
Property-related taxes	673	665	6,169
Insurance	9	8	74
Repair and maintenance	417	268	2,486
Depreciation	1,325	1,220	11,318
Other	77	57	528
Total expenses related to rental business	¥ 4,128	¥ 3,682	\$ 34,159
Operating income from property leasing activities	¥ 4,240	¥ 4,496	\$ 41,710

Note 15 – Analysis of Gain or Loss on Sales of Property and Equipment

Analysis of gain or loss on sales of property and equipment for the six months ended December 31, 2018 and June 30, 2019 is as follows:

	For the six months ended			
	December 31, 2018		June 30, 2019	
	Matsushita IMP Bldg.	MID REIT Kyobashi Bldg.	Matsushita IMP Bldg.	(in thousands of U.S. dollars)
	(in millions of yen)		(in millions of yen)	
Sale of property and equipment	¥ 14,850	¥ 1,700	¥ 12,150	\$ 112,719
Cost of property and equipment	(12,261)	(2,056)	(9,934)	(92,160)
Other sales expenses	(324)	(71)	(276)	(2,560)
Gain (loss) on sales of property and equipment, net	¥ 2,263	¥ (427)	¥ 1,938	\$ 17,979

Note 16 – Income Taxes

The Company is subject to corporate income taxes in Japan. The Company may deduct from its taxable income the amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Act of Japan. Under this act, the Company must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If the Company does not satisfy all of the requirements, the entire taxable income of the Company will be subject to regular corporate income taxes in Japan.

The Company has a policy of making distributions in excess of 90% of its distributable profit for the fiscal period to qualify for conditions set forth in the Special Taxation Measures Act of Japan to achieve a deduction of distributions for income tax purpose and it distributes approximately 100% of distributable profit. Hence, the Company has treated the distributions as a tax allowable deduction as defined in the Special Taxation Measures Act of Japan.

A reconciliation of the Company's effective tax rates and statutory tax rates are as follows:

	For the six months ended	
	December 31, 2018	June 30, 2019
	(Rate)	
Statutory tax rate.....	31.51 %	31.51 %
Deductible cash distributions.....	(28.51)	(28.52)
Provision of reserve for reduction entry of property	(2.99)	(2.99)
Other	0.01	0.01
Effective tax rate.....	0.02 %	0.01 %

Deferred tax assets consist of the following:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Noncurrent:			
Enterprise tax payable	¥ 0	¥ 0	\$ 0
Total.....	0	0	0
Net deferred tax assets	¥ 0	¥ 0	\$ 0

Note 17 – Leases

(a) Lease Rental Revenues

The Company leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of December 31, 2018 and June 30, 2019 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	December 31, 2018	As of June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 4,317	¥ 4,427	\$ 41,070
Due after one year	7,916	7,252	67,278
Total	¥ 12,234	¥ 11,680	\$ 108,358

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of December 31, 2018 and June 30, 2019 are as follows:

	December 31, 2018	As of June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 6	¥ 6	\$ 55
Due after one year	7	4	37
Total	¥ 13	¥ 10	\$ 92

Note 18 – Financial Instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Company 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, security deposits and investment corporation bond are managed by decentralizing maturity date of loans payable and investment corporation bond and maintaining liquidity with preparing plans for funds.

Although loans payable with floating interest rates are subject to fluctuations in market interest rates, a certain portion of loans payable with floating interest rates is hedged by interest rate swaps. The Company 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 December 31, 2018 and June 30, 2019.

	As of								
	December 31, 2018			June 30, 2019			June 30, 2019		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
	(in millions of yen)						(in thousands of U.S. dollars)		
Assets:									
(1) Cash and bank deposits.....	¥ 12,094	¥ 12,094	¥ —	¥ 12,862	¥ 12,862	¥ —	\$ 119,324	\$ 119,324	\$ —
(2) Cash and bank deposits in trust.....	4,872	4,872	—	4,337	4,337	—	40,235	40,235	—
Total assets.....	¥ 16,966	¥ 16,966	¥ —	¥ 17,199	¥ 17,199	¥ —	\$ 159,560	\$ 159,560	\$ —
Liabilities:									
(1) Short-term loans payable ..	¥ 6,900	¥ 6,900	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
(2) Current portion of long-term loans payable	15,200	15,236	36	23,750	23,772	22	220,335	220,539	204
(3) Investment corporation bonds – unsecured	8,000	8,028	28	8,000	8,038	38	74,218	74,570	352
(4) Long-term loans payable.....	92,775	93,856	1,081	84,225	85,641	1,416	781,380	794,517	13,136
Total liabilities.....	¥ 122,875	¥ 124,021	¥ 1,146	¥ 115,975	¥ 117,453	¥ 1,478	\$ 1,075,934	\$ 1,089,646	\$ 13,711
Derivative instruments.....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —

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

Assets

- (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.

Liabilities

- (1) Short-term loans payable
Because of their short maturities and floating interest rates, the carrying amounts of short-term loans payable approximate their fair value.
- (2) Current portion of long-term loans payable and (4) 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.
- (3) Investment corporation bonds – unsecured
The fair value is the quoted price provided by financial market information provider.

Derivative instruments

Please refer to “Note 19 - Derivative Instruments” for further information.

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)	(in millions of yen)	(in thousands of U.S. dollars)
Investment securities.....	¥ 5,085	¥ 5,085	\$ 47,175
Tenant leasehold and security deposits.....	12,341	12,706	117,877
Tenant leasehold and security deposits in trust	639	—	—

The investment securities (equity interests in Tokumei Kumiai) are not traded in markets, and it is too difficult to estimate reasonable fair value. Also, it is difficult to determine fair values of tenant leasehold and security deposits 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 flow schedule of financial assets after the balance sheet date

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
<i>As of December 31, 2018:</i>						
Cash and bank deposits.....	¥ 12,094	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and bank deposits in trust	4,872	—	—	—	—	—
Total.....	¥ 16,966	¥ —	¥ —	¥ —	¥ —	¥ —
<i>As of June 30, 2019:</i>						
Cash and bank deposits.....	¥ 12,862	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and bank deposits in trust	4,337	—	—	—	—	—
Total.....	¥ 17,199	¥ —	¥ —	¥ —	¥ —	¥ —
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
<i>As of June 30, 2019:</i>						
Cash and bank deposits.....	\$ 119,324	\$ —	\$ —	\$ —	\$ —	\$ —
Cash and bank deposits in trust	40,235	—	—	—	—	—
Total.....	\$ 159,560	\$ —	\$ —	\$ —	\$ —	\$ —

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

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
<i>As of December 31, 2018:</i>						
Short-term loans payable.....	¥ 6,900	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable.....	15,200	22,850	14,250	9,900	10,200	35,575
Investment corporation bonds – unsecured	—	—	1,500	1,000	—	5,500
<i>As of June 30, 2019:</i>						
Long-term loans payable.....	¥ 23,750	¥ 19,600	¥ 12,950	¥ 11,200	¥ 8,900	¥ 31,575
Investment corporation bonds – unsecured	—	1,500	1,000	—	—	5,500
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
<i>As of June 30, 2019:</i>						
Long-term loans payable.....	\$ 220,335	\$ 181,835	\$ 120,141	\$ 103,905	\$ 82,567	\$ 292,930
Investment corporation bonds – unsecured	—	13,915	9,277	—	—	51,025

Note 19 – Derivative Instruments

Information on derivative transactions undertaken by the Company as of December 31, 2018 and June 30, 2019 is as follows. Derivative instruments are used only for hedging purposes and subject to hedge accounting.

For the six months ended December 31, 2018:

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts ⁽²⁾		Fair value ⁽¹⁾
			Total	Over 1 year (in millions of yen)	
Special treatment for hedge accounting of interest rate swaps ⁽¹⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 32,600	¥ 28,600	¥ —
Total			¥ 32,600	¥ 28,600	¥ —

For the six months ended June 30, 2019:

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts ⁽²⁾			Notional amounts ⁽²⁾		
			Total	Over 1 year (in millions of yen)	Fair value ⁽¹⁾	Total	Over 1 year (in thousands of U.S. dollars)	Fair value ⁽¹⁾
Special treatment for hedge accounting of interest rate swaps ⁽¹⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 32,600	¥ 28,600	¥ —	\$ 302,439	\$ 265,330	\$ —
Total			¥ 32,600	¥ 28,600	¥ —	\$ 302,439	\$ 265,330	\$ —

Notes:

- (1) As disclosed in “Note 2 Summary of Significant Accounting Policies (h) Hedge Accounting”, the Company 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 hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as hedged items is calculated together as one and disclosed as such under Note (i) in “Note 18 Financial Instruments (b) Quantitative Information for financial instruments”.
- (2) The notional amounts do not represent the market risk exposure associated with the derivative instruments.

Note 20 – Related-Party Transactions

Information on related-party transactions for the six months ended December 31, 2018 and June 30, 2019 is as follows.

For the six months ended December 31, 2018:

Not applicable.

For the six months ended June 30, 2019:

Not applicable.

Note 21 – Per Unit Information

Following table shows the net asset value per unit as of December 31, 2018 and June 30, 2019 and net income per unit for the six months then ended.

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(Yen)		(U.S. dollars)
Net asset value per unit.....	¥ 85,969	¥ 86,463	\$ 802
Net income per unit	2,812	3,039	28

The 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. The Company has no dilutive units.

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

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in millions of yen)		(in thousands of U.S. dollars)
Net income	¥ 4,620	¥ 4,994	\$ 46,330
Amount not attributable to common unitholders	—	—	—
Net income attributable to common unitholders	4,620	4,994	46,330
Weighted average number of units	1,643,125 units	1,643,125 units	

Note 22 – Segment Information

Segment information for the six months ended December 31, 2018 and June 30, 2019 is as follows:

(a) Operating Segment Information

Disclosure is omitted as the Company 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

For the six months ended December 31, 2018:

Name of Customer	Revenues (in millions of yen)	Related Segment
Panasonic Corporation.....	¥ 1,061	Property rental business
AEON Retail Co., Ltd.	726	Property rental business

For the six months ended June 30, 2019:

Name of Customer	Revenues (in millions of yen)	Revenues (in thousands of U.S. dollars)	Related Segment
Panasonic Corporation.....	¥ 1,052	\$ 9,759	Property rental business

Note 23 – Subsequent events

Not Applicable.