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MID REIT, Inc. (Securities Code: 3227)

Supplementary Material on Implementation of Asset Replacement and Revision of Business Results (May 29, 2013)

***For details of this material, please confirm the following notices that were separately announced.**

“Notice Regarding Transfer of Property (Panasonic Osaka Kyobashi Building)”

“Notice Regarding Acquisition of Property (Higobashi MID Building)”

**“Notice Regarding Revision of Business Results and Distributions Forecast for the 14th Period
Ending June 30, 2013”**

“Notice Regarding Revision of Distributions Forecast for the 15th Period Ending December 31, 2013”



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Summary

14th Period (ending June 30, 2013) distribution per unit revised downward to 418 yen



Revision of business results	14th Period (ending June 30, 2013) distributions
	<ul style="list-style-type: none"> ■ Distribution per unit: 418 yen (compared to initial forecast (as at Feb. 14, 2013): – 6,792 yen; – 94.2 %) ■ Decrease in amount due to transfer of Panasonic Osaka Kyobashi Building resulting in - 1,318 million yen in loss on sales of real estate properties being posted
	15th Period (ending Dec. 31, 2013) distributions
	<ul style="list-style-type: none"> ■ Distribution per unit: 6,287 yen (compared to initial forecast (as at Feb. 14, 2013): + 419 yen; + 7.1%) ■ Increase in amount due to Higobashi MID Building contributing to revenue

Primary Factors Leading to Revision of Business Results

Transfer of Panasonic Osaka Kyobashi Building	<ul style="list-style-type: none"> ■ Transfer price: 6,120 million yen (*) (compared to book value: –1,316 million yen; compared to appraisal value (*): + 190 million yen) 	
	Transfer to sponsor at a price above appraisal value	
	* Price premised on use of the additional floor area assumed to be newly granted as a result of relaxed floor-area ratio regulations based on the “integrated design system for one group of land,” etc. for which application will be newly filed	
	<ul style="list-style-type: none"> ■ Avoid management risk after exit of tenant to which building is leased in its entirety (exit at end of May 2013) 	
	Management risks after exit	
	Large renovation costs	<ul style="list-style-type: none"> · Prior investment burden risk in implementing a large amount of renovation (including restoration) after tenant exit · Being a building that is about 39 years old, future growth potential is limited
Prolonged renovation period	· Renovation period during which revenue is not generated is expected to extend through to end of 2013	
Demand projection	· While there are tenant inquiries, none have led to closing of deals and so concerns of leasing-up taking longer	
Impairment loss risk	· Further drop in appraisal value	
Acquisition of Higobashi MID Building	<ul style="list-style-type: none"> ■ Acquisition price: 3,000 million yen (compared to appraisal value: –130 million yen) ■ Acquire from sponsor at a price below appraisal value ■ Relatively newly-built property from which high NOI yield can be anticipated, offsetting the decrease in revenue arising from such factors as transfer of Panasonic Osaka Kyobashi Building 	


Asset Replacement Effects

Improvement of portfolio quality



Asset to be Transferred and Asset to be Acquired


Asset to be transferred: Panasonic Osaka Kyobashi Building



- Location: Shiromi, Chuo-ku, Osaka
- Total floor area: 17,143.04m²
- Completion date: Aug. 1974
- Transfer price: 6,120 million yen
- Appraisal value: 5,930 million yen (*)
- NOI yield: Current tenant to exit at end of May

* Price premised on use of the additional floor area assumed to be newly granted as a result of relaxed floor-area ratio regulations based on the "integrated design system for one group of land," etc. for which application will be newly filed

Asset to be acquired: Higobashi MID Building



- Location: Edobori, Nishi-ku, Osaka
- Total floor area: 6,519.63m²
- Completion date: Jan. 2010
- Acquisition price: 3,000 million yen
- Appraisal value: 3,130 million yen
- NOI yield: 5.5% (*)

DBJ Green Building Certification (Silver 2012) certified



* Calculated by dividing NOI (according to the appraisal report of the asset to be acquired) by the acquisition price, rounded to the first decimal place.

Relaxation of Portfolio Risks and Enhancement of Portfolio Quality

<p>Improvement of portfolio quality</p>	<ul style="list-style-type: none"> · Reduce portfolio building age (13th Period end: 22 years → 14th Period end: 21.3 years (-0.7 years)) · Lower PML (Panasonic Osaka Kyobashi Building: 7.2%; Higobashi MID Building: 6.0%) · Sell Panasonic Osaka Kyobashi Building (large unrealized loss) and acquire Higobashi MID Building (unrealized gain) to improve unrealized gain/loss of entire portfolio 																								
<p>Promotion of lowering of OBP concentration level and diversification of assets</p>	<div style="display: flex; justify-content: space-around;"> <div data-bbox="481 1061 1209 1444"> <p>By Investment Region (based on acquisition price)</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Before asset replacement</th> <th>After asset replacement</th> </tr> </thead> <tbody> <tr> <td>OBP</td> <td>63.1</td> <td>60.0</td> </tr> <tr> <td>Other Osaka area</td> <td>20.6</td> <td>23.2</td> </tr> <tr> <td>Tokyo metropolitan area</td> <td>16.3</td> <td>16.8</td> </tr> </tbody> </table> </div> <div data-bbox="1243 1061 2139 1444"> <p>By Investment Region (based on property leasing revenue) (*)</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Before asset replacement</th> <th>After asset replacement</th> </tr> </thead> <tbody> <tr> <td>OBP</td> <td>67.6</td> <td>65.2</td> </tr> <tr> <td>Other Osaka area</td> <td>19.3</td> <td>20.8</td> </tr> <tr> <td>Tokyo metropolitan area</td> <td>13.1</td> <td>14.0</td> </tr> </tbody> </table> </div> </div> <p>*Property leasing revenue for before asset replacement is 13th Period results and for after asset replacement is that of the 15th Period (assumed).</p>	Region	Before asset replacement	After asset replacement	OBP	63.1	60.0	Other Osaka area	20.6	23.2	Tokyo metropolitan area	16.3	16.8	Region	Before asset replacement	After asset replacement	OBP	67.6	65.2	Other Osaka area	19.3	20.8	Tokyo metropolitan area	13.1	14.0
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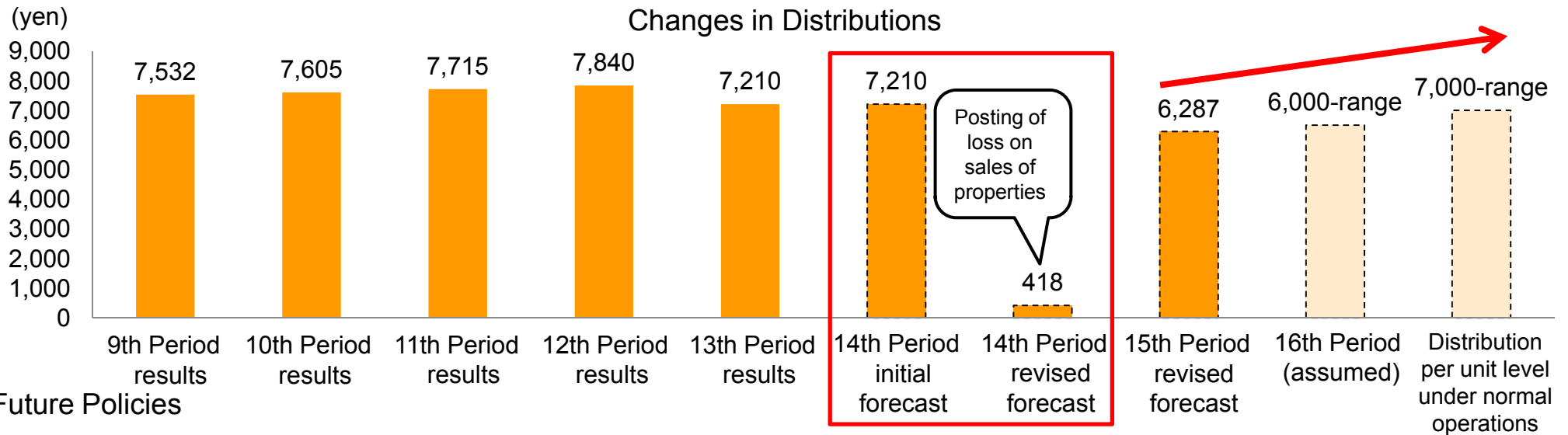
Future Strategies

Aim to return to the 7,000-yen-range distribution per unit level under normal operations



Distribution Level

- Achieve bottoming out of distributions by eliminating the immediate cause for concern (Panasonic Osaka Kyobashi Bldg.)
- Aim to return to the 7,000-yen-range distribution per unit level under normal operations



Future Policies

Internal Growth

- Strengthen new tenant leasing to raise occupancy rates
- Maintain and enhance relationships of trust with existing tenants and minimize contract cancellation risks

External Growth

- Maintain policy of setting long-term target for portfolio asset size at about 200 billion yen by utilizing sponsor pipelines
- While considering mainly office buildings in Osaka area, also flexibly consider various areas and asset types

