

**For Translation Purpose Only****REIT Financial Report for the 19th Fiscal Period (July 1, 2015 to December 31, 2015)**

MCUBS MidCity Investment Corporation (URL: <http://www.midreit.jp/>) is listed on the Tokyo Stock Exchange with the securities code 3227.

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Executive Director

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Holding of analyst meeting:  Yes / No (for institutional investors and analysts)

[Monetary amounts in million yen are rounded down]

**1. PERFORMANCE FOR THE 19th FISCAL PERIOD (July 1, 2015 to December 31, 2015)****(1) Business Results**

[Percentage figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
19th fiscal period	6,579	25.0	2,507	48.9	1,937	56.4	1,936	56.5
18th fiscal period	5,265	1.8	1,683	9.4	1,239	13.9	1,237	13.1

	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
	yen	%	%	%
19th fiscal period	7,614	1.8	1.0	29.5
18th fiscal period	6,622	1.3	0.7	23.5

**(2) Distributions**

	Distribution per unit	Total distributions	Distribution in excess of earnings	Total distributions in excess of earnings	Payout ratio	Distributions to net assets
	[excluding distribution in excess of earnings]	[excluding distribution in excess of earnings]	per unit	in excess of earnings	ratio	to net assets
	yen	million yen	yen	million yen	%	%
19th fiscal period	7,281	1,936	0	0	100.0	1.6
18th fiscal period	6,444	1,237	0	0	100.0	1.3

Note: The payout ratio has been calculated by using the following formula as new investment units were issued during the period.

$$\text{Payout ratio} = \text{Total distributions} / \text{net income} \times 100$$

**(3) Financial Position**

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
19th fiscal period	226,099	117,180	51.8	440,484
18th fiscal period	174,117	94,045	54.0	489,757

**(4) Cash Flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
19th fiscal period	3,245	(51,916)	47,801	9,697
18th fiscal period	2,267	(8,526)	3,699	10,567

**2. FORECASTS OF RESULTS FOR THE 20th FISCAL PERIOD (January 1, 2016 to June 30, 2016) and 21st FISCAL PERIOD (July 1, 2016 to December 31, 2016)**

[Percentage figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
20th fiscal period	6,855	4.2	2,430	(3.1)	1,837	(5.2)	1,835	(5.2)
21st fiscal period	6,881	0.4	2,430	0.0	1,837	0.0	1,835	0.0

	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
20th fiscal period	6,900		0	
21st fiscal period	6,900		0	

[Reference] Estimated net income per unit for the 20th fiscal period: ¥6,900

Estimated net income per unit for the 21st fiscal period: ¥6,900

**3. OTHER**

**(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement**

- (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (b) Changes in accounting policies other than in (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None

**(2) Total Number of Investment Units Issued and Outstanding**

- (a) Total number of investment units issued and outstanding (including own investment units) at end of period:
  - 19th fiscal period: 266,025 units
  - 18th fiscal period: 192,025 units
- (b) Number of own investment units at end of period:
  - 19th fiscal period: 0 units
  - 18th fiscal period: 0 units

**\*Notice on Implementation Status of Auditing Procedures**

As of the date of disclosure of this financial report, auditing procedures of financial statements based on the Financial Instruments and Exchange Law have not yet been completed.

**\*Explanation on Appropriate Use of Forecast of Business Results, and Other Matters of Special Note**

The forecast and outlook of business results and other forward-looking statements contained in this report are based on information currently available to and certain preconditions and assumptions deemed reasonable by MCUBS MidCity Investment Corporation. Accordingly, actual business results and other performance may differ materially due to a variety of factors.

Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

For the preconditions and assumptions underlying the forecast of business results, matters of note in the use of the forecast of business results, and other matters of special note, please refer to “2. Asset Management Conditions; (2) Outlook of Next Fiscal Period; (c) Outlook of Business Results” on page 7.

## 1. Asset Management Policy

Disclosure is omitted because there are no significant changes from the most recent *yuka shoken hokokusho* (securities report) (submitted on September 29, 2015), and the most recent *rinji hokokusho* (extraordinary report) (submitted on February 15, 2016).

## 2. Asset Management Conditions

### (1) Overview of Fiscal Period under Review

#### (a) Brief Background to MCUBS MidCity

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

During the fiscal period under review, its 19th fiscal period, MCUBS MidCity issued new investment units in July 2015 and newly acquired 5 properties (total acquisition price: ¥49,269 million, including the acquisition of silent partnership interests backed by Nagoya Lucent Tower (the same shall apply hereinafter.)) using the proceeds from the issuance of investment units and new borrowings. In December 2015, MCUBS MidCity also acquired 1 property (acquisition price: ¥2,705 million) using cash on hand. As of the end of the fiscal period under review (19th fiscal period: July 1, 2015 to December 31, 2015), MCUBS MidCity’s portfolio was comprised of 19 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the sum total of acquisition prices amounting to ¥217,104 million.

MCUBS MidCity conducts asset management with investment focused on office buildings under the portfolio building policy of focusing investment in the three major metropolitan areas including Tokyo metropolitan area and Osaka metropolitan area.

#### (b) Investment Environment and Management Performance

##### (i) Investment Environment

In the 19th fiscal period, the Japanese economy was generally on a moderate recovery trend, despite being affected by the slowdown of the Chinese economy and unstable financial markets due to the fall in crude oil prices. Although consumer spending recovery still remains, corporate earnings continue to be strong partially due to the yen depreciation and decrease in crude oil prices. Going forward, while there are risk factors such as the U.S. ending the quantitative easing policy and downside risks of the global economy, the improvement trend of corporate earnings is expected to continue and the Japanese economy is expected to continue to head toward a modest recovery with the pickup in consumer sentiment as improvement in employment and income environments continue.

In the real estate investment market, backed by a favorable financial environment, active trading continues and transaction prices are trending further upward. Active property acquisitions by J-REITs in line with new listings and capital increase through public offerings continued to take place. Transaction activities by private funds, business corporations and overseas investors are also robust, and market cap rates are also on a declining trend due to anticipation for future rise in real estate prices.

According to the Ministry of Land, Infrastructure, Transport and Tourism’s Land Price LOOK Report for the third quarter (July 1 to October 1) of 2015, the land price of intensively used land of major cities in Japan increased in 87 of the 100 districts, remained flat in 13 districts and decreased in none of the districts. Accordingly, the land price trend continues to be on an upward trend.

In the office leasing market, vacancy rates continued to improve, as office demand increased due to improving business sentiment, and bottoming out of the rent level is becoming clearly visible.

Going forward, new supply of large-scale office buildings being limited will lead to the steady filling up of vacancies continuing and the supply-demand balance is thus expected to further improve. It is expected that on top of the improvement in new-contract lease terms and conditions that some tenants will start to accept increases in ongoing-contract rent.

##### (ii) Asset Management Performance

###### <Investment Performance>

During the 19th fiscal period, in an aim for a shift to the growth stage, MCUBS MidCity acquired 5 properties in August 2015 using the funds procured through the issuance of new investment units conducted in July 2015 and new borrowings following the acquisition of a property using the proceeds from the third-party allotment in the previous fiscal period. Out of the 5 properties newly acquired, 4 properties, G-Square Shibuya Dogenzaka (acquisition price: ¥12,220 million), Shibuya Sakuragaoka

Square (land with leasehold interest) (acquisition price: ¥5,000 million), Yokohama Creation Square (acquisition price: ¥7,080 million) and Cube Kawasaki (acquisition price: ¥20,050 million), are located in Tokyo metropolitan area, and 1 property, Nagoya Lucent Tower (silent partnership interests) (acquisition price: ¥4,919 million) is located in Nagoya metropolitan area. Furthermore, MCUBS MidCity acquired Higashi-Nihombashi Green Building (acquisition price: ¥2,705 million) located in Tokyo metropolitan area in December 2015 using cash on hand. As a result, the investment ratio in Osaka metropolitan area decreased by 22.4% from 82.0% a year ago, thus realizing area diversification in the portfolio.

As a result, MCUBS MidCity's portfolio as of the end of the 19th fiscal period was comprised of 19 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 98.9% (of which Tokyo metropolitan area accounting for 37.1%, Osaka metropolitan area 59.6% and Nagoya metropolitan area 2.3%) in the three major metropolitan areas and 1.1% in other areas and are distributed in terms of property type with 85.6% being office buildings and 14.4% being others.

#### <Performance of Management of Portfolio Assets>

MCUBS MidCity is promoting the heightening of tenant satisfaction levels in seeking to attract new tenants and making its relationship of trust with existing tenants even stronger by closely working together with sponsor companies, property management companies and office leasing brokers and creating tenant attraction plans for each property that match the respective location and characteristics, thereby striving to maintain and enhance occupancy rates.

In the 18th fiscal period, in an environment showing recovery in office demand, there were active tenant movements for reasons of integration of offices and improvement of location. Despite tenant exits arising, having attracted new tenants early led to high occupancy of the same level as that at the end of the previous fiscal period managing to be maintained, with the occupancy rate at the end of the 19th fiscal period at 97.6%.

In terms of building management, at Matsushita IMP Building, ongoing renewal of the interior and sanitary facilities such as bathrooms of common areas of a typical floor plate for the purpose of maintaining and enhancing asset value and strengthening competitiveness are being implemented in an aim to heighten the satisfaction levels of and convenience for existing tenants and to enhance property competitiveness in view of attracting new tenants. In addition, when The Kansai Electric Power Company raised its electric rates in April 2015, unit price revisions to reflect the increase were implemented for electricity bills for exclusive areas, in an effort to inhibit the increase in management costs. Furthermore, utilities expenses during the 19th fiscal period were below the initial forecast due to decrease in fuel cost adjustment fees caused by the fall in crude oil prices, etc.

In particular, at the Osaka Business Park (hereafter, "OBP") PR activities from 17th fiscal period are being implemented to enhance the recognition and brand image of the OBP as a business area where "greenery" and "comfort" make it a favorable place to work from the viewpoint of office workers. In addition, MCUBS MidCity has started discussions concerning revitalization of retail zones at Twin 21 and Matsushita IMP Building in line with the reconstruction and new construction of office buildings in OBP.

### (c) Overview of Fund Procurement

#### A. Issuance of New Investment Units

Based on the resolution by the board of directors' meetings held on July 9, 2015 and July 22, 2015, MCUBS MidCity implemented issuance of new investment units through public offering with the payment date on July 29, 2015 (70,000 units) and through third-party allotment with the payment date of August 17, 2015 (4,000 units), to partly fund the new acquisition of 5 properties (total acquisition price: ¥49,269 million), etc. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 266,025 investment units.

#### B. Debt Financing

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

In the 19th fiscal period, MCUBS MidCity implemented new debt financing of ¥25,000 million on July 31, 2015 and ¥1,800 million on August 6, 2015 to use the proceeds as part of funds to acquire the 5 properties acquired in August 2015. Upon making the new debt financing, MCUBS MidCity diversified lenders by newly starting debt financing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Trust & Banking Co., Ltd. while extending borrowing period by conducting financing with the longest ever borrowing period for MCUBS MidCity of 8 years, in order to reinforce financial stability. In addition, MCUBS MidCity refinanced borrowings totaling ¥15,000 million, which was due for repayment on July 31, 2015. Upon refinancing, MCUBS MidCity also realized reduction of financings costs while at the same time extending borrowing period as well as the average remaining years of borrowings. As a result, the average remaining

years of borrowings was extended by one year and the average interest rate on borrowings was lowered by 0.1% compared to the previous fiscal period.

As of the end of the 19th fiscal period, MCUBS MidCity had a balance of borrowings from 17 financial institutions in the amount of ¥94,350 million. The ratio of interest-bearing liabilities to total assets stands at 41.7%, 95.4% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 57.4% of loans payable have fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

MCUBS MidCity had acquired an issuer rating of “A- (Rating outlook: stable)” from Rating and Investment Information, Inc. (R&I), but was changed to “A- (Rating outlook: positive)” on October 29, 2015.

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

#### (d) Overview of Business Performance and Distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of ¥6,579 million, operating income of ¥2,507 million, ordinary income of ¥1,937 million and net income of ¥1,936 million in its performance for the 19th fiscal period.

Concerning distributions, to ensure that distributions of retained earnings would be deductible for tax purposes based on application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including amendments thereto) (hereafter, the “Act on Special Measures Concerning Taxation”), MCUBS MidCity decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution per unit that are less than ¥1. Accordingly, MCUBS MidCity declared a distribution per unit of ¥7,281.

#### (2) Outlook of Next Fiscal Period

##### (a) Future Asset Management Policy and Challenges to Address

##### (i) Internal Growth Strategy

In the Osaka office leasing market trend, where most of MCUBS MidCity’s portfolio assets are located, decrease in new supply while office demand remained strong led to improvement in vacancy rates continuing. With the improvement in new-contract lease terms and conditions at some large-scale buildings, the anticipation for market rent bottoming out has been gradually growing. However, a certain amount of time is still forecasted to be required until there will be full-scale increase in ongoing-contract rent.

In the Tokyo office leasing market, where most of the properties acquired during the 19th fiscal period are located, demand remains strong and the vacancy rate continues to improve even when there is a certain amount of new supply. Vacancy rate is likely to be stable at a low level going forward, and a rising trend is seen not only in new-contract rent but also in ongoing-contract rent in some cases.

Under such circumstances, in view of maintaining and enhancing revenue over the medium and long term, MCUBS MidCity is working on heightening the tenant satisfaction levels of existing tenants through the provision of comfortable office environments and services, as well as maintaining and improving rent income and occupancy rates through initiatives for attracting new tenants.

##### <Strategy on Existing Tenants Aimed at Maintaining High Occupancy Rates>

As an initiative for discerning the needs and heightening the satisfaction levels of existing tenants, the Asset Management Company has been conducting a survey of tenant satisfaction levels on the tenants of Twin 21 and other multi-tenant buildings in MCUBS MidCity’s portfolio since the first fiscal period. The results of the concerned survey are used as the base in instructing property management companies and building management companies, as well as in considering and carrying out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs.

Efforts have been made to attract a tenant which topped the list of “tenants that would be nice to have in OBP” in the survey, and a leasing agreement was concluded for Twin 21 in June 2015. Keeping up such initiatives to listen to the “voice of office workers” is believed to lead to enhancement of the satisfaction levels of existing tenants and the value of portfolio assets.

##### <Strategy on Leasing to Attract New Tenants>

Among the portfolio assets at G-Square Shibuya Dogenzaka and Yokohama Creation Square, which have relatively large vacant space, efforts will be made to attract new tenants by making proposals in line with tenant size and needs while taking advantage of excellent location and high specifications of the buildings.

Leveraging the strengths of the network of a new sponsor Mitsubishi Corp. – UBS Realty and of having as its sponsor a comprehensive real estate business group that primarily operates in Osaka, the Asset Management Company conducts market analyses by utilizing tenant information, etc. that property

management companies have acquired in working closely with the site and, based on the results, will develop strategies for attracting tenants, including value-enhancement plans that lead to increased competitiveness of MCUBS MidCity's portfolio assets, in order to carry out effective attracting of new tenants.

<Enhance Property Competitiveness>

MCUBS MidCity conducts upgrading of facilities and renewal of interiors one after another in view of provision of comfortable office environments and enhancement of leasing capacity. MCUBS MidCity will also carry out such initiatives as systematic upgrading that reflect tenant satisfaction survey results, matters pointed out and requested by tenants, etc.

<Address Energy Saving and CO<sub>2</sub> Reduction>

The Asset Management Company strives to respond to the environment and social responsibility based on the "Environment Charter" and "Basic Policy on Responsible Real Estate Investment" formulated in the fiscal period under review, and appropriately responds to the requests of society via CO<sub>2</sub> reduction efforts, etc.

As of the end of the 19th fiscal period, Twin 21, Matsushita IMP Building, Kitahama MID Building and Higobashi MID Building have been certified by Development Bank of Japan Inc. under DBJ Green Building Certification (system assigning one of five ranks of certification) with the certification rank of "three stars" as "properties with excellent environmental and social awareness." Moreover, Higobashi MID Building and G-Square Shibuya Dogenzaka, which was acquired during the 19th fiscal period, have received the rank of "A Class" by Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), which is a tool for comprehensive assessment and rating of not only consideration for the environment, such as use of energy-conserving and low-environmental-load resources and materials, but also consideration for the indoor and outdoor built environment and other building quality and performance.

(ii) External Growth Strategy

MCUBS MidCity strives to improve the risk return characteristics of its portfolio via such measures as acquiring assets under management in view of minimizing asset and building management costs through economies of scale, mitigating risks of fluctuations in revenue with the effects of diversifying its portfolio of assets under management, and such. Upon acquisition, MCUBS MidCity aims to realize external growth by utilizing the property sourcing capacity of its sponsors, proactively leveraging the pipeline support.

As for the targeted investment region, MCUBS MidCity examines acquisitions of assets under management with a focus on office buildings in the three major metropolitan areas (Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture)). In addition, from the standpoint of diversifying risk with a view toward securing more opportunities for property acquisition, its investment targets also include so-called "government-designated cities" – cities with populations of over 500,000 – as well as other major cities and abroad, excluding the three major metropolitan areas. Furthermore, as for the investment target in terms of property type, although MCUBS MidCity invests primarily in office properties, from the standpoint of investment diversification based on securing more opportunities for property acquisition, MCUBS MidCity's investment targets also include real estate other than office properties. (However, it states that no new investment shall be made as to retail properties and industrial properties.)

(iii) Financial Strategy

Ongoing efforts will be made at keeping the LTV at a conservative level, stable fund procurement, diversifying repayment dates for interest-bearing liabilities, promoting the addition of lending financial institutions with the goal of maintaining financial stability. In addition, measures will be taken to hedge against interest rate fluctuation risks by fixing interest rates depending on interest rate trends.

(b) Important Matters Subsequent to the End of the Fiscal Period

Not applicable.

(c) Outlook of Business Results

MCUBS MidCity expects the following business results for its 20th Fiscal Period (January 1, 2016 to June 30, 2016). For the assumptions underlying the forecast of business results, please refer to the “Assumptions Regarding Business Results Forecasts for the 20th Fiscal Period (January 1, 2016 to June 30, 2016) and the 21st Fiscal Period (July 1, 2016 to December 31, 2016)” below.

Operating revenue	¥6,855 million
Operating income	¥2,430 million
Ordinary income	¥1,837 million
Net income	¥1,835 million
Distribution per unit	¥6,900
Distribution in excess of earnings per unit	¥0

In addition, assuming that the “Assumptions Regarding Business Results Forecasts for the 20th Fiscal Period (January 1, 2016 to June 30, 2016) and the 21st Fiscal Period (July 1, 2016 to December 31, 2016)” remain unchanged, MCUBS MidCity expects the following business results forecasts for its 21st Fiscal Period (July 1, 2016 to December 31, 2016).

Operating revenue	¥6,881 million
Operating income	¥2,430 million
Ordinary income	¥1,837 million
Net income	¥1,835 million
Distribution per unit	¥6,900
Distribution in excess of earnings per unit	¥0

[Note] The business results forecasts presented herein are current expectations calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may differ from the forecasts due to changes in the conditions. Moreover, the forecasts should not be construed as a guarantee of distribution amounts.

Assumptions Regarding Business Results Forecasts  
for the 20th Fiscal Period (January 1, 2016 to June 30, 2016 and the  
21st Fiscal Period (July 1, 2016 to December 31, 2016)

Item	Assumptions
Distribution per unit	<ul style="list-style-type: none"> <li>• Distribution per unit is calculated assuming the cash distribution policy set forth in the Articles of Incorporation of MCUBS MidCity.</li> <li>• Distribution per unit could change due to various factors, including changes in assets under management, fluctuations in rent income associated with tenant changes, etc., incurrence of unexpected repairs, fluctuations in interest rates, and the issuance of additional investment units.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Assumes no changes will be made to laws, the tax system, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. affecting the aforementioned forecasts.</li> <li>• Assumes there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>• Assumes there will be no changes (new property acquisition, sale of existing property, etc.) in MCUBS MidCity's assets under management until the end of the 21st fiscal period from a total of 19 properties (including acquisition of silent partnership interests) owned as at December 31, 2015.</li> <li>• The actual assets under management may vary due to changes in the property portfolio and other factors.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• Rent revenue (rent revenue – real estate) is calculated based on lease agreements effective as at December 31, 2015 with due consideration given to such factors as the market environment, the characteristics and market competitiveness of individual properties, status of individual tenants.</li> <li>• Operating revenue is calculated assuming there are no tenant defaults or non-payments of rent by tenants.</li> <li>• Dividend income from silent partnership interests is calculated by reflecting expected occupancy rate of real estate which backs cash flows.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Of the expenses related to rent business, which constitute a principal component of operating expenses, expenses other than depreciation are calculated based on historical data and reflecting seasonal and other factors that may cause fluctuations in expenses.</li> <li>• Property management fees in the amount of ¥822 million are expected for the 20th fiscal period and ¥837 million are expected for the 21st fiscal period.</li> <li>• Utilities expenses in the amount of ¥684 million are expected for the 20th fiscal period and ¥729 million are expected for the 21st fiscal period.</li> <li>• Property taxes, etc. in the amount of ¥575 million are expected for the 20th fiscal period and ¥644 million are expected for the 21st fiscal period.</li> <li>• The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. MCUBS MidCity expects repair expenses for the 20th fiscal period will be ¥87 million more than the 19th fiscal period to amount to ¥247 million, and for the 21st fiscal period will be ¥163 million. Furthermore, please note that actual repair expenses may differ significantly from the forecasted amounts due to various reasons, including repair expenses possibly arising from damages, etc. to buildings due to unexpected causes.</li> <li>• Depreciation is calculated based on the straight-line method inclusive of associated costs and future additional capital expenditures. MCUBS MidCity estimates ¥1,280 million for the 20th fiscal period and ¥1,297 million for the 21st fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Interest expenses of ¥458 million are expected for the 20th fiscal period and ¥458 million are expected for the 21st fiscal period.</li> <li>• Borrowing related expenses of ¥115 million are expected for the 20th fiscal period and ¥115 million are expected for the 21st fiscal period.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• Assumes the balance of interest-bearing liabilities outstanding will be ¥94,225 million at the end of the 20th fiscal period and ¥94,100 million at the end of the 21st fiscal period.</li> <li>• Assumes the scheduled repayments in the 20th fiscal period of ¥2,500 million (due for repayment on April 28, 2016) and ¥1,800 million (due for repayment on April 28, 2016) will be refinanced for the same amount.</li> <li>• Assumes the scheduled repayments in the 21st fiscal period of ¥4,000 million (due for repayment on July 31, 2016) and ¥15,900 million (due for repayment on July 29, 2016) will be refinanced for the same amount.</li> <li>• Assumes the scheduled repayment in the 21st fiscal period of ¥125 million (due for repayment on July 29, 2016) will be repaid using cash reserves.</li> </ul>
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>• Assumes the number of investment units issued and outstanding will be the 266,025 units as at December 31, 2015 and no additional investment units will be issued through to December 31, 2016.</li> </ul>
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>• Assumes there will be no cash distributions in excess of earnings (distributions in excess of earnings per unit).</li> </ul>

### 3. Investment Risks

Disclosure is omitted because there are no significant changes from the "Investment Risks" presented in the most recent *yuka shoken hokokusho* (securities report) (submitted on September 29, 2015).



## 4. Financial Statements

## (1) Balance Sheets

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	[as of June 30, 2015]	[as of December 31, 2015]
Assets		
Current assets		
Cash and deposits	7,032,286	4,629,691
Cash and deposits in trust	6,271,387	8,262,102
Operating accounts receivable	125,119	162,048
Income taxes receivable	—	43,592
Accrued consumption taxes	132,546	246,345
Prepaid expenses	23,454	42,697
Deferred tax assets	25	14
Other	118	—
Total current assets	13,584,938	13,386,491
Non-current assets		
Property, plant and equipment		
Buildings in trust	66,846,055	72,816,769
Accumulated depreciation	(16,915,672)	(18,139,999)
Buildings in trust, net	49,930,383	54,676,770
Structures in trust	110,824	119,205
Accumulated depreciation	(22,293)	(24,228)
Structures in trust, net	88,531	94,976
Machinery and equipment in trust	7,916	7,916
Accumulated depreciation	(1,391)	(1,719)
Machinery and equipment in trust, net	6,524	6,196
Tools, furniture and fixtures in trust	538,691	547,875
Accumulated depreciation	(331,221)	(356,523)
Tools, furniture and fixtures in trust, net	207,469	191,351
Land in trust	109,964,747	151,954,124
Construction in progress in trust	4,298	4,298
Total property, plant and equipment	160,201,954	206,927,718
Intangible assets		
Software	427	310
Trademark right	416	352
Total intangible assets	843	663
Investments and other assets		
Investment securities	—	5,085,027
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	304,946	616,627
Total investments and other assets	314,946	5,711,654
Total non-current assets	160,517,744	212,640,036
Deferred assets		
Investment units issuance cost	14,892	73,457
Total deferred assets	14,892	73,457
Total assets	174,117,575	226,099,985

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	[as of June 30, 2015]	[as of December 31, 2015]
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	347,785	365,639
Short-term loans payable	2,500,000	4,300,000
Current portion of long-term loans payable	15,250,000	20,150,000
Accounts payable – other	630,101	886,858
Accrued expenses	108,476	143,141
Distribution payable	7,852	6,964
Income taxes payable	1,285	–
Advances received	719,616	951,470
Other	465,509	519,136
Total current liabilities	<u>20,030,627</u>	<u>27,323,210</u>
Non-current liabilities		
Long-term loans payable	49,925,000	69,900,000
Tenant leasehold and security deposits	7,356,607	8,323,810
Tenant leasehold and security deposits in trust	2,759,656	3,372,942
Total non-current liabilities	<u>60,041,264</u>	<u>81,596,753</u>
Total liabilities	<u>80,071,892</u>	<u>108,919,963</u>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	92,808,193	115,243,069
Surplus		
Unappropriated retained earnings (undisposed loss)	1,237,489	1,936,952
Total surplus	<u>1,237,489</u>	<u>1,936,952</u>
Total unitholders' equity	<u>94,045,683</u>	<u>117,180,022</u>
Total net assets	<u>94,045,683</u>	<u>117,180,022</u>
Total liabilities and net assets	<u>174,117,575</u>	<u>226,099,985</u>

## (2) Statements of Income

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	[Jan. 1, 2015 to June 30, 2015]	[July 1, 2015 to Dec. 31, 2015]
Operating revenue		
Rent revenue – real estate	4,905,067	5,987,786
Other lease business revenue	360,691	480,911
Dividends income	–	111,040
Total operating revenue	<u>5,265,758</u>	<u>6,579,738</u>
Operating expenses		
Expenses related to rent business	3,122,528	3,471,541
Asset management fee	318,448	450,229
Asset custody fee	8,422	10,629
Administrative service fees	41,578	50,176
Directors' compensations	6,175	5,700
Other operating expenses	85,130	84,037
Total operating expenses	<u>3,582,283</u>	<u>4,072,313</u>
Operating income	<u>1,683,474</u>	<u>2,507,424</u>
Non-operating income		
Interest income	1,391	1,631
Refund of unpaid distributions	791	691
Interest on refund	–	473
Total non-operating income	<u>2,183</u>	<u>2,796</u>
Non-operating expenses		
Interest expenses	354,149	439,425
Borrowing related expenses	90,917	114,947
Amortization of investment units issuance cost	1,353	12,590
Other	192	5,373
Total non-operating expenses	<u>446,612</u>	<u>572,337</u>
Ordinary income	<u>1,239,044</u>	<u>1,937,883</u>
Income before income taxes	<u>1,239,044</u>	<u>1,937,883</u>
Income taxes – current	1,567	1,000
Income taxes – deferred	(3)	11
Total income taxes	<u>1,564</u>	<u>1,011</u>
Net income	<u>1,237,480</u>	<u>1,936,871</u>
Retained earnings brought forward	9	80
Unappropriated retained earnings (undisposed loss)	1,237,489	1,936,952

## (3) Statements of Cash Flows

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	[Jan. 1, 2015 to June 30, 2015]	[July 1, 2015 to Dec. 31, 2015]
Cash flows from operating activities		
Income before income taxes	1,239,044	1,937,883
Depreciation	1,150,400	1,251,891
Amortization of long-term prepaid expenses	85,368	105,199
Amortization of investment units issuance cost	1,353	12,590
Interest income	(1,391)	(1,631)
Interest expenses	354,149	439,425
Loss on retirement of non-current assets	518	—
Decrease (increase) in operating accounts receivable	(1,145)	(36,929)
Decrease (increase) in consumption taxes refund receivable	(132,546)	(113,799)
Increase (decrease) in accrued consumption taxes	(56,503)	—
Increase (decrease) in operating accounts payable	33,100	17,854
Increase (decrease) in advances received	7,675	231,853
Decrease (increase) in prepaid expenses	2,401	(19,242)
Payments of long-term prepaid expenses	—	(416,880)
Other	(60,365)	286,170
Subtotal	2,622,060	3,694,385
Interest income received	1,391	1,631
Interest expenses paid	(354,039)	(404,761)
Income taxes paid	(1,427)	(45,877)
Cash flows from operating activities	2,267,984	3,245,378
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(8,393,178)	(47,925,619)
Purchase of investment securities	—	(5,085,027)
Proceeds from tenant leasehold and security deposits	188,931	1,192,820
Proceeds from tenant leasehold and security deposits in trust	886,204	1,858,798
Repayments of tenant leasehold and security deposits	(289,374)	(253,833)
Repayments of tenant leasehold and security deposits in trust	(188,931)	(1,245,512)
Proceeds from repayments of tenant leasehold and security deposits in trust	—	955
Payments for deposits in trust for tenant leasehold and security deposits in trust	(730,202)	(459,023)
Cash flows from investing activities	(8,526,551)	(51,916,442)
Cash flows from financing activities		
Proceeds from short-term loans payable	2,500,000	1,800,000
Proceeds from long-term loans payable	—	40,000,000
Repayment of long-term loans payable	(125,000)	(15,125,000)
Proceeds from issuance of investment units	2,419,333	22,363,721
Dividends paid	(1,094,370)	(1,237,605)
Cash flows from financing activities	3,699,962	47,801,115
Net increase (decrease) in cash and cash equivalents	(2,558,603)	(869,948)
Cash and cash equivalents at beginning of period	13,126,505	10,567,901
Cash and cash equivalents at end of period	10,567,901	9,697,953

## 5. Trust Beneficiary Interests in Real Estate

The following summarizes real estate which are trust assets of the trust beneficiary interests (the “Real Estate in Trust”) concerning assets owned by MCUBS MidCity as of December 31, 2015.

Use	Region		Property		Type of Asset	Acquisition Price [Note 1] [million yen]	Book Value [Note 2] [million yen]	Appraisal Value [Note 3] [million yen]	Appraisal Company [Note 4]	Investment Ratio [Note 5] [%]	Collateral [Note 6]
			No.	Name							
Office Building	Three major metropolitan areas	Tokyo metropolitan area	0T-1	Sumitomo Fudosan Ueno Bldg. No. 6	Trust beneficiary interest	7,460	7,768	7,690	Tanizawa	3.5	None
			0T-2	G-Square Shibuya Dogenzaka		12,220	12,340	13,800	JREI	5.8	None
			0T-3	Shibuya Sakuragaoka Square (land with leasehold interest)		5,000	5,058	5,240	JREI	2.4	None
			0T-4	Yokohama Creation Square		7,080	7,161	7,480	Tanizawa	3.3	None
			0T-5	Cube Kawasaki		20,050	20,277	20,900	Daiwa	9.4	None
			0T-6	Higashi-Nihombashi Green Building		2,705	2,821	2,900	JREI	1.3	None
		Osaka metropolitan area	00-1	Twin 21 [Note 7]		68,700	67,156	47,400	Morii	32.4	None
			00-2	Matsushita IMP Building		24,600	22,809	18,600	Tanizawa	11.6	None
			00-3	Midosuji MID Building		8,290	8,489	7,120	Tanizawa	3.9	None
			00-4	MID REIT Kyobashi Building		2,300	2,129	1,380	Tanizawa	1.1	None
			00-5	MID Imabashi Building		3,270	3,178	2,180	Tanizawa	1.5	None
			00-6	MID Midosujikawaramachi Building		2,000	1,930	1,450	Tanizawa	0.9	None
			00-7	Kitahama MID Building		10,800	10,515	8,640	JREI	5.1	None
			00-8	MID Nishihommachi Building		3,550	3,390	2,110	JREI	1.7	None
			00-9	Higobashi MID Building		3,000	2,926	3,370	JREI	1.4	None
Subtotal						181,025	177,955	150,260		85.3	
Other than Office Building	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	Trust beneficiary interest	26,100	24,297	26,900	Daiwa	12.3	None
		Osaka metropolitan area	R0-1	Konami Sports Club Kyobashi		2,780	2,452	3,200	Daiwa	1.3	None
	Government-designated cities and other major cities as well as abroad, excluding the three major metropolitan areas		HF-1	Dormy Inn Hakata Gion		2,280	2,217	3,060	Tanizawa	1.1	None
	Subtotal						31,160	28,968	33,160		14.7
Total						212,185	206,923	183,420		100.0	

[Note 1] “Acquisition Price” states the sale price which is stated in the sales contract for the respective trust beneficiary interest, etc. (excluding various acquisition expenses, property taxes and consumption taxes, etc.).

[Note 2] “Book Value” is the value appropriated to the balance sheets and is expressed as the applicable asset’s acquisition price (including various acquisition expenses) less accumulated depreciation.

[Note 3] “Appraisal Value” is the appraisal value at the end of the fiscal period based on the appraisal report with December 31, 2015 as the date of the value opinion prepared by Morii Appraisal & Investment Consulting, Inc., Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. or Japan Real Estate Institute pursuant to the Regulations Concerning Accounting of Investment Corporations, methods and criteria for asset valuation defined in MCUBS MidCity’s Articles of Incorporation and rules of The Investment Trusts Association, Japan. Higashi-Nihombashi Green Building is based on the appraisal report with December 1, 2015 as the date of the value opinion.

[Note 4] Morii: Morii Appraisal & Investment Consulting, Inc.  
 Tanizawa: Tanizawa Sogo Appraisal Co., Ltd.  
 JREI: Japan Real Estate Institute  
 Daiwa: Daiwa Real Estate Appraisal Co., Ltd.

[Note 5] “Investment Ratio” indicates the ratio of the acquisition price of the applicable asset to the total amount of acquisition prices and is rounded to the first decimal place. Accordingly, the entered amounts do not necessarily add up to the figures presented in the “Subtotal” and “Total” rows.

[Note 6] “Collateral” states whether or not a pledge has been established for the real estate trust beneficiary interest.

[Note 7] Including the trust beneficiary interest of Twin 21 (partial ownership of leased land).

[Note 8] Monetary amounts are rounded down to the nearest million yen.