

Securities Code **3227**

MCUBS MidCity

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

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Supplemental Material on a Series of Press Releases

- December 20, 2016 Notice Regarding Acquisition of Trust Beneficiary Interest in Domestic Real Estate (Sendai Capital Tower)
- December 20, 2016 Notice Regarding Revision of Business Results and Distributions Forecast for the 22nd Period Ending June 30, 2017
- January 12, 2017 Notice Regarding Acquisition and Disposition of Trust Beneficiary Interest in Domestic Real Estate (Acquisition of Shibuya Sakuragaoka Square and Disposition of Midosuji MID Bldg.)

Series of Our Initiatives

➤ Implemented acquisitions and asset replacement

Announced on December 20, 2016

Asset to be Acquired Other



Favorable location near Sendai Station
Contribution to a rise in NOI yield and a further diversification of the portfolio

Sendai Capital Tower	
Location	Sendai, Miyagi
Planned acquisition price	5,500 mn. yen
Planned acquisition price — Appraisal value	▲720 mn. yen
Assumed NOI yield	6.0%
Assumed NOI yield after depreciation	5.2%
Planned acquisition date	February 1, 2017

Announced on January 12, 2017

Asset to be Acquired Tokyo



Favorable location in Tokyo area
Additional acquisition of the remaining 60% land with leasehold interest and building by using the bridge

Shibuya Sakuragaoka Square (additional acquisition)	
Location	Shibuya-ku, Tokyo
Planned acquisition price	12,130 mn. yen
Planned acquisition price — Appraisal value	▲870 mn. yen
Assumed NOI yield	3.6%
Assumed NOI yield after depreciation	2.7%
Planned acquisition date	February 1, 2017

Asset to be Disposed Osaka



Disposition of a property located in Osaka area with unrealized losses, resulting in generating gains on disposition

Midosuji MID Bldg.	
Location	Osaka-shi, Osaka
Planned disposition price	9,000 mn. yen
Planned disposition price — Appraisal value	+1,690 mn. yen
Assumed NOI yield	3.9%
Assumed NOI yield after depreciation	2.5%
Planned disposition date	March 27, 2017



Initiatives

Impact

DPU growth (Announced December 20, 2016)

Fiscal Period Ending June 30, 2017

7,300yen → 7,670yen

Comparison with announcement in Aug. 2016

+370yen /+5.1%

Steady progress of portfolio diversification (Comparison Dec. 31, 2016 with Mar. 27, 2017)

Tokyo Area 37.1% → **41.0%** (+3.9%)

Osaka Area 59.6% → **53.4%** (▲6.2%)

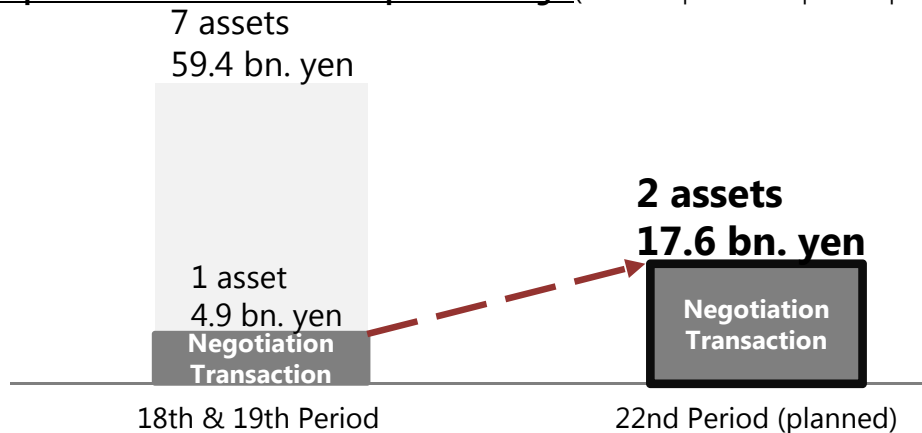
To be determined how to utilize 0.6 bn. yen^(Note) of the estimated difference between the disposition price and the book value of Midosuji MID Bldg.

(Note) The estimated amount may not be equal to actual gain on disposition given it is based on assumed book value.

Acquisitions with Averting Competitions

- Total 8 assets with 77bn. yen acquired since the main sponsor change
- Acquisitions through privately negotiated transactions under a competitive market

Acquired Assets since the Main Sponsor change (based on planned acquisition price)

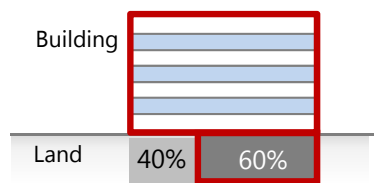


Acquisition Overview

Shibuya Sakuragaoka Square

(60% quasi co-ownership interest of trust beneficiary interest in real estate and trust beneficiary interest in real estate of Building)

- ✓ Located in Shibuya Area, which continues evolving as a hub and a source to send information about commercial and business activities and 4-minute walk from JR Shibuya Station
- ✓ Newly-built mid-sized office building equipped with basic specifications which enable advanced and diversified office needs to be fully addressed



	The Acquisition	<Reference> Building + Land
Planned acquisition price	12,130 mn. yen	17,130 mn. yen (Note)
Appraisal value	13,000 mn. yen	19,600 mn. yen
Comparison with appraisal value	▲6.7%	▲12.6%

(Note) Acquisition price of 5,000 mn. yen in Aug. 2015 is included

Acquired in Aug. 2015
(Acquisition price: 5,000 mn. yen) **To be acquired in Feb. 2017**

Acquisition Highlight

		Shibuya Sakuragaoka Square	Sendai Capital Tower
1	Transaction method	Negotiation transaction	Negotiation transaction
2	Diversification	Increase share of Tokyo area	
3	Sponsor	Sponsor network	Sponsor network
4	Pipeline	Additional acquisition from bridge	

Sendai Capital Tower

- ✓ 4-minute walk from JR Sendai Station and 2-minute from Sendai Subway Sendai Station
- ✓ Property standing on a corner lot along an arterial road and enjoying excellent visibility and natural lighting
- ✓ Shaped office floors with a pillar-less structure, providing higher usage efficiency in spaces and flexible layout options



Planned acquisition price	5,500 mn. yen
Appraisal value	6,220 mn. yen
Comparison with appraisal value	▲11.6%

Portfolio Quality Improvement through Strategic Disposition

- Disposed an asset with unrealized losses, resulting in generating gains
- Further portfolio diversification by reducing Osaka asset

Backdrop of the Disposition

Midosuji MID Bldg.

- ✓ Attractive re-development value because buildings located in the Midosuji Honmachi Minami district now have eased floor-area ratio restrictions if they fulfill certain requirements after the new district plan thereof was established in March 2014
- ✓ A large amount of capital expenditure and repair costs is expected
- ✓ The favorable real estate trading market condition that provides good opportunities to dispose properties

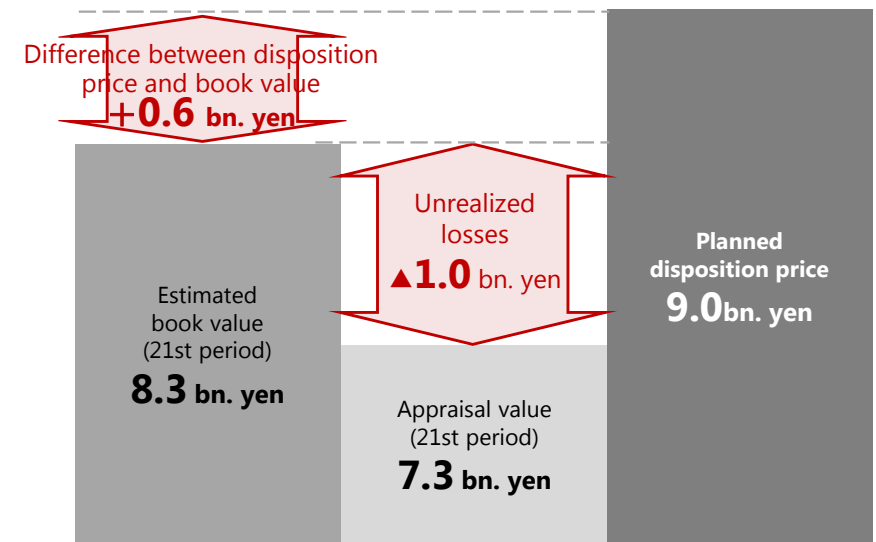
Disposition to a domestic corporation as land for development



Location	4-3-2 Minamisenba, Chuo-ku, Osaka-shi, Osaka
Access	2-minute walk from Shinsaibashi Station on the Osaka Municipal Subway Midosuji Line, located along Midosuji
Total floor space	16,342.99m ²
No. of Tenants	7
Occupancy Rate	94.7%

(Note) As of November 30, 2016

Difference between the Planned Disposition Price and the Assumed Book Value



Any impact from the estimated difference between the planned disposition price and the assumed book value of approx. 0.6 bn. yen on DPU for the 22nd fiscal period (ending June 2017) is under consideration because MCUBS MidCity is considering several options such as the possibility of disposition losses from additional disposition of portfolio properties and voluntary reserves using reserve for reduction entry.



Steady DPU Growth

Before change of main sponsor

Shift to growth stage after change of main sponsor

Portfolio management enhancement for further growth

DPU after change of main sponsor
The 22nd Period (E)
5,958yen ⇒ 7,670yen (+28.7%)
CAGR +11.5%

Series of Our Initiatives

Sendai Capital Tower




Planned acquisition date Feb. 1, 2017

Shibuya Sakuragaoka Square



Planned acquisition date Feb. 1, 2017

Midosuji MID Bldg.

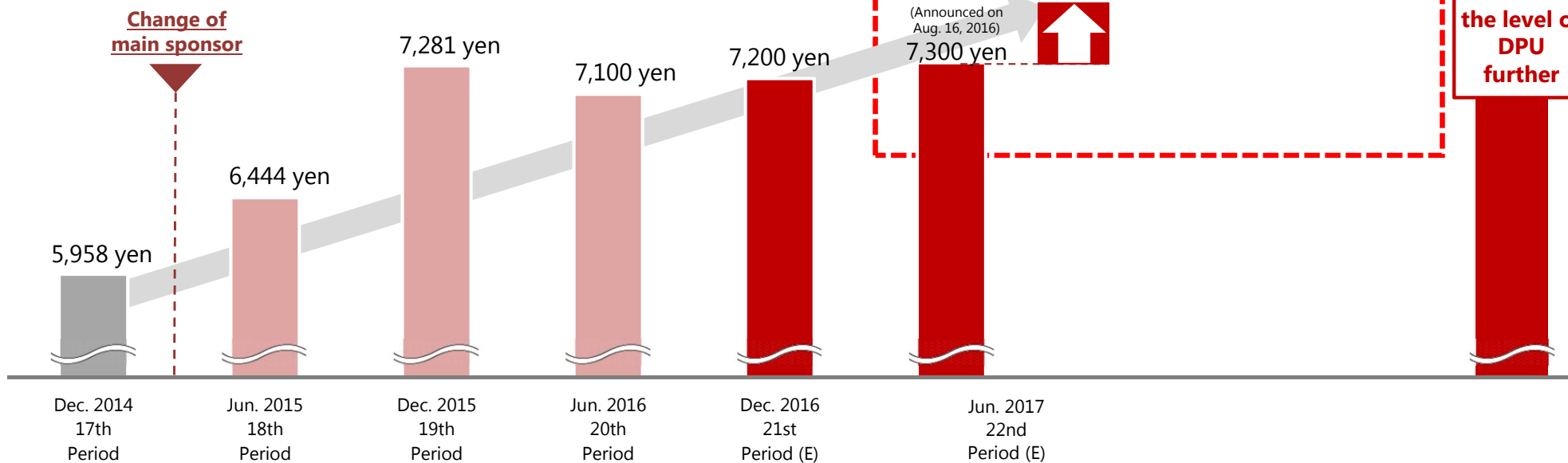


Planned disposition date Mar. 27, 2017

Revised forecast
(Announced on Dec. 20, 2016)
7,670 yen (+5.1%)

Initial Forecast
(Announced on Aug. 16, 2016)
7,300 yen

MCUBS MidCity will strive to raise the level of DPU further

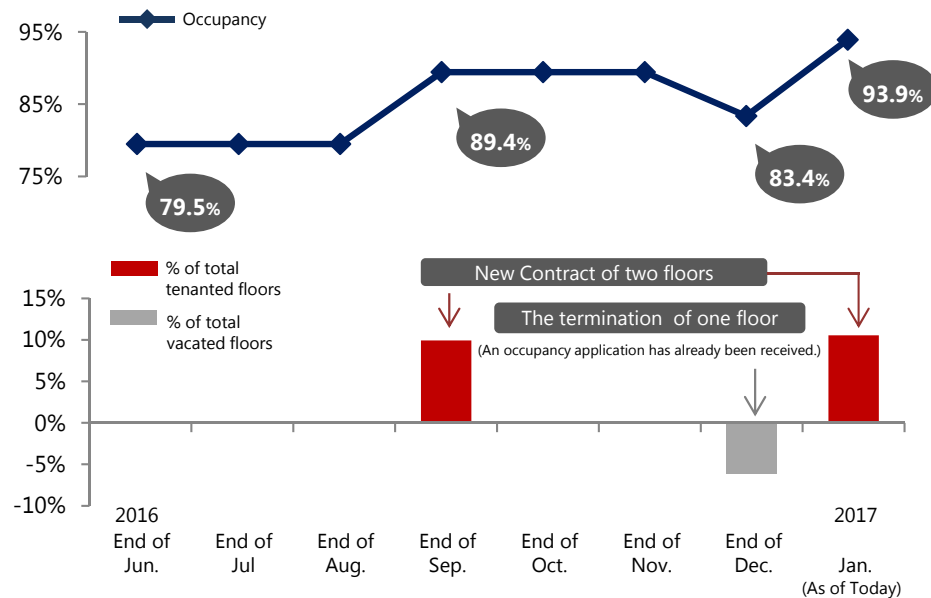


Leasing Status

□ G-Square Shibuya Dogenzaka

- Two vacant floors as at Jun. 2016 have been occupied (Both floor rents were lifted to a market rent level)
- One floor contract was newly terminated at the end of Nov. 2016.
- As a result, the occupancy as of Jan. 12, 2017 is 93.9%
- An occupancy application for the currently vacant one floor space has already been received as of December 7, 2016

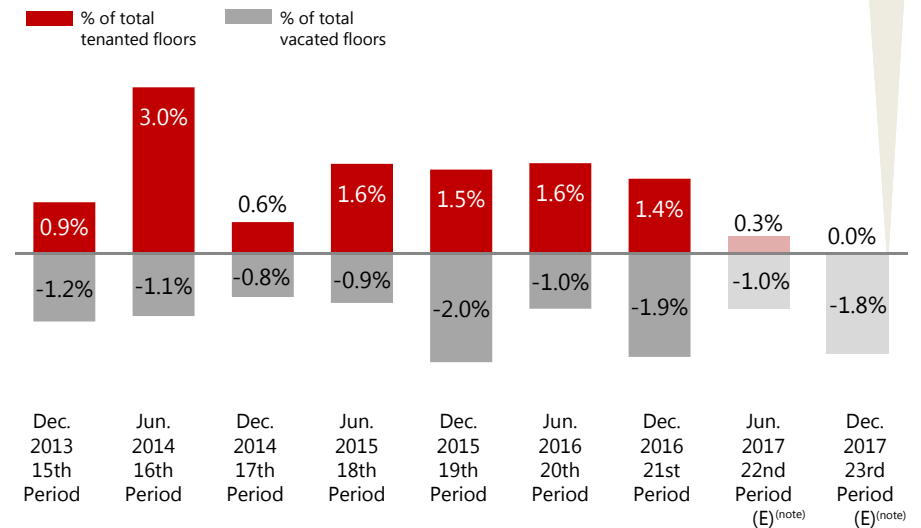
Occupancy and Tenant Turnover of G-Square Shibuya Dogenzaka



□ Asahi Group floor in Matsushita IMP Building

- Asahi Group will move out in Sep. and Oct. 2017 for office consolidation
- The relevant space accounts for 1.8% of the total floor area of the portfolio, which is within the controllable scope in comparison to usual tenant turnover
- There is a long enough leasing period as we received the cancellation notice one year in advance
- Osaka office demands are solid under limited new office floor supplies
- The current rent of vacated floors is almost same as the market rent

Occupancy and Tenant Turnover of Entire Portfolio



(Note) For the fiscal periods ending June and December 2017, the calculation was based on occupancy/exit applications received as of today, for 19 properties in the portfolio as of the end of December 2016.

Overseas Property Investment

➤ Decided NOT to invest in overseas properties

What we Did

- Implemented detailed examination in Australian office property investment case
- Verified a potential investment scheme from legal, tax and accounting perspectives
- Identified investment targets and their economics
- Exchanged views with institutional investors

What we Found

- Confirmed that J-REITs are able to make Australian investments in terms of investment scheme
- Confirmed that Australian property investments may improve portfolio profitability with increasing distributions
- Some investors gave us a feedback that additional risk premiums related to currencies/regulations/markets would be required

Overseas Property Investment Policy

- Decided NOT to invest in overseas properties in the foreseeable future
- Took account of a potential risk that additional risk premiums with overseas investment may hinder the growth of unitholders' value
- MCUBS MidCity is to focus on unitholders' value creation through domestic property portfolio management
- May reconsider the option in the future based on discussions with investors when the risk tolerance get higher after the asset size expansion

(Reference) Portfolio construction policy (Targeted categories and regions)

Office properties

70% or more

Real estate other than office properties

30% or less

Three major metropolitan areas

70% or more

Government-designated cities and other cities as well as abroad, excluding the three major metropolitan areas

30% or less



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