

## Translation

# MCUBS MIDCITY INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

August 15, 2017

Name of issuer: MUCBS MidCity Investment Corporation  
("the Investment Corporation")  
Stock exchange listing: Tokyo Stock Exchange  
Securities code: 3227  
Website: <http://www.midcity-reit.com/>  
Representative of the Investment Corporation: Katsuhiko Tsuchiya, Executive Director  
Name of asset manager: MCUBS MidCity Inc.  
Representative of the asset manager: Toyota Watanabe, President & CEO & Representative Director  
Contact: Naoki Suzuki, Deputy President & Representative Director  
Tel: (03)5293-4150  
Scheduled date for filing of securities report: September 28, 2017  
Scheduled date for distributions payment: September 15, 2017  
Supplementary materials for financial results: Otherwise prepared  
Analyst meeting: Scheduled

(Amounts of less than one million yen are rounded down)

## 1. Financial results for the six months ended June 30, 2017 (January 1, 2017 to June 30, 2017)

### (1) Operating results

(Percentages show period-on-period changes)

|                          | Operating revenues |      | Operating income |      | Ordinary income |      | Net income      |      |
|--------------------------|--------------------|------|------------------|------|-----------------|------|-----------------|------|
|                          | Millions of yen    | %    | Millions of yen  | %    | Millions of yen | %    | Millions of yen | %    |
| For the six months ended |                    |      |                  |      |                 |      |                 |      |
| June 30, 2017            | 8,025              | 14.6 | 3,150            | 23.4 | 2,527           | 27.8 | 2,527           | 27.8 |
| December 31, 2016        | 7,005              | 2.7  | 2,551            | 3.6  | 1,977           | 4.7  | 1,976           | 4.7  |

|                          | Net income per unit | Return on unitholders' equity | Ratio of ordinary income to total assets | Ratio of ordinary income to operating revenues |
|--------------------------|---------------------|-------------------------------|--|--|
|                          | Yen                 | %                             | %  | %  |
| For the six months ended |                     |                               |  |  |
| June 30, 2017            | 8,817               | 2.1                           | 1.1                                      | 31.5   |
| December 31, 2016        | 7,431               | 1.7                           | 0.9                                      | 28.2   |

### (2) Distributions

|                          | Distributions<br>(excluding distributions in excess of profit) |                 | Distributions<br>in excess of profit |                 | Payout ratio | Ratio of distributions<br>to net assets |
|--------------------------|--|-----------------|--------------------------------------|-----------------|--------------|---|
|                          | Per unit   | Total           | Per unit                             | Total           |              |   |
| For the six months ended | Yen  | Millions of yen | Yen                                  | Millions of yen | %            | %                                       |
| June 30, 2017            | 7,900  | 2,343           | 0                                    | 0               | 92.7         | 1.8                                     |
| December 31, 2016        | 7,431  | 1,976           | 0                                    | 0               | 100.0        | 1.7                                     |

Note 1: Total distributions for the six months ended June 30, 2017 consist of unappropriated retained earnings at the end of period after transferring ¥183 million to reserve for reduction entry.

Note 2: Payout ratio for the six months ended June 30, 2017 is calculated by following formula.  
Payout ratio = Total of distributions (excluding distributions in excess of profit) ÷ Net income × 100

### (3) Financial position

|                   | Total assets    | Net assets      | Ratio of net assets to total assets | Net asset value per unit |
|-------------------|-----------------|-----------------|-------------------------------------|--------------------------|
|                   | Millions of yen | Millions of yen | %                                   | Yen                      |
| As of             |                 |                 |                                     |                          |
| June 30, 2017     | 248,821         | 127,675         | 51.3                                | 430,427                  |
| December 31, 2016 | 225,916         | 117,220         | 51.9                                | 440,635                  |

#### (4) Cash flows

|                          | Net cash provided by (used in) |                      |                      | Cash and cash equivalents at end of period |
|--------------------------|--------------------------------|----------------------|----------------------|--|
|                          | Operating activities           | Investing activities | Financing activities |  |
| For the six months ended | Millions of yen                | Millions of yen      | Millions of yen      | Millions of yen                            |
| June 30, 2017            | 13,974                         | (28,617)             | 18,718               | 15,282                                     |
| December 31, 2016        | 3,007                          | (737)                | (3,512)              | 11,207                                     |

## 2. Outlook for the six months ending December 31, 2017 (July 1, 2017 to December 31, 2017) and June 30, 2018 (January 1, 2018 to June 30, 2018)

(Percentages show period-on-period changes)

|                           | Operating revenues |       | Operating income |       | Ordinary income |       | Net income      |       |
|---------------------------|--------------------|-------|------------------|-------|-----------------|-------|-----------------|-------|
|                           | Millions of yen    | %     | Millions of yen  | %     | Millions of yen | %     | Millions of yen | %     |
| For the six months ending |                    |       |                  |       |                 |       |                 |       |
| December 31, 2017         | 7,615              | (5.1) | 2,973            | (5.6) | 2,388           | (5.5) | 2,387           | (5.5) |
| June 30, 2018             | 7,451              | (2.2) | 2,970            | (0.1) | 2,403           | 0.6   | 2,402           | 0.6   |

|                           | Net income per unit |  | Distributions per unit<br>(excluding distributions in excess of profit) |  | Distributions in excess of profit per unit |  |
|---------------------------|---------------------|--|---|--|--|--|
|                           | Yen                 |  | Yen   |  | Yen  |  |
| For the six months ending |                     |  |   |  |  |  |
| December 31, 2017         | 8,050               |  | 8,050   |  | 0  |  |
| June 30, 2018             | 8,100               |  | 8,100   |  | 0  |  |

### 3. Others

#### (1) Changes in accounting policies and accounting estimates or restatements

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

#### (2) Number of units issued

Number of units issued at end of period (including treasury units):

As of June 30, 2017 296,625 units

As of December 31, 2016 266,025 units

Number of treasury units at end of period:

As of June 30, 2017 0 unit

As of December 31, 2016 0 unit

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 25.

### Forward-looking Statements and Other Notes

Forward-looking statements in this presentation are based on the information currently available and certain assumptions we believe reasonable. Actual results may differ materially from the forward-looking statements in this presentation due to various factors. Furthermore, those statements do not guarantee the amount of future distributions.

For further information and assumptions regarding the forward-looking statements, please refer to “2. Management policy and results of operation, (3) Outlook of next fiscal period, (c) Outlook of business” on page 8.

## 1. Summary of related corporations of the Investment Corporation

Disclosure is omitted as there are no significant changes from the “Structure of the investment corporation” presented in the most recent yuka shoken hokokusho (securities report) (submitted on March 29, 2017).

## 2. Management policy and results of operation

### (1) Management policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Target” and “Distribution Policy” presented in the most recent yuka shoken hokokusho (securities report) (submitted on March 29, 2017).

### (2) 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, while acquiring four properties (total acquisition price: ¥31,330 million; of which, one is an additional acquisition of an existing property) with new borrowings and funds procured through issuance of new investment units in February 2017, MCUBS MidCity disposed two properties (total disposition price: ¥10,700 million) located in Osaka metropolitan area as asset replacement.

As of the end of the fiscal period under review (22nd fiscal period: January 1, 2017 to June 30, 2017), the portfolio of MCUBS MidCity comprised of 20 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting to ¥238,144 million.

MCUBS MidCity conducts asset management under the portfolio building policy of focusing on office properties and investments in the three major metropolitan areas, which are the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto and Hyogo Prefectures) and Nagoya metropolitan area (Aichi Prefecture) (the same shall apply hereinafter).

#### (b) Investment environment and management performance

##### (i) Investment environment

In the 22nd fiscal period, the Japanese economy continued to recover moderately as GDP for the January to March 2017 period remained positive for five consecutive quarters against the backdrop of growing exports and steady capital investment, consumption, etc. The economy is expected to continue to be generally brisk, backed by the continuation of exports and improvement in the employment/income environment due to mild recovery of the global economy going forward.

In the real estate investment market, the transaction price continues to be on an upward trend with more active transactions against the backdrop of favorable fund procurement environment. According to the Ministry of Land, Infrastructure, Transport and Tourism’s Land Value LOOK Report for the first quarter (January 1 to April 1, 2017) of 2017, the land price of intensively used land of major cities in Japan

increased in 85 of the 100 districts, remained flat in 15 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, as office demand is increasing against the backdrop of active corporate activities, improvement in vacancy rate and increase of rent level are continuing. Demand for office floors is expected to remain solid although we intend to carefully keep an eye on the impact from a new supply of large-scale buildings in Tokyo.

The J-REIT market remained rather weak from the beginning of the 22nd fiscal period at the TSE REIT index at 1,853 points, ending at 1,694 points following further decline against the background of the outflow of capital from monthly distributing-type investment trusts. Furthermore, despite the expected rise in interest rates in Europe and the U.S. due to the projected interest rate hike in the U.S., etc., the interest rate in Japan is expected to remain at a low level with the continuation of the monetary easing policy by the Bank of Japan. We will continue to pay close attention to the monetary policy and financial market going forward.

## (ii) Asset management performance

### <Investment performance>

During the 22nd fiscal period, as the first move to expand asset size steadily through new acquisition and to improve portfolio quality through asset replacement, MCUBS MidCity acquired two properties (of which, one is an additional acquisition of an existing property) in February 2017 with funds procured from new borrowings. Next, MCUBS MidCity issued new investment units in the same month and acquired one property each in March and April. In all transactions, investments were made selectively through exclusive negotiation, avoiding excessive competition. Three properties, Shibuya Sakuragaoka Square (additional acquisition) (acquisition price: ¥12,130 million), Sasazuka Center Bldg. (acquisition price: ¥8,700 million) and USC Bldg. (acquisition price: ¥5,000 million), are located in the Tokyo metropolitan area, and the other one property, Sendai Capital Tower (acquisition price: ¥5,500 million), is located in Sendai City, Miyagi Prefecture. At the same time, by capturing the favorable timing for disposition, MCUBS MidCity disposed two properties in the Osaka metropolitan area (total disposition price: ¥10,700 million) with unrealized losses in March, 2017, at the total price generating gains from the dispositions.

As a result, MCUBS MidCity's portfolio as of the end of the 22nd fiscal period was comprised of 20 properties, the investment ratios (based on acquisition price) of which are distributed in terms of geographic region with 96.7% (of which Tokyo metropolitan area accounting for 44.7%, Osaka metropolitan area 50.0% and Nagoya metropolitan area 2.1%) in the three major metropolitan areas and 3.3% in other areas, and are distributed in terms of property type with 86.9% being office buildings and 13.1% being others.

### <Performance of management of portfolio assets>

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

In the 22nd fiscal period, in an environment showing recovery in office demand continuing on from the previous fiscal period, there were active tenant movements for reasons of integration of offices and

improvement of location. Despite some tenant exits, with aggressive attraction of new tenants such as by making proposals to meet the tenant needs and capturing the needs of existing tenants for more space within the same building, a high occupancy rate of 97.5% was maintained at the end of the fiscal period. In addition, MCUBS MidCity was able to increase the average contracted rent for the portfolio partly due to the rent revision on which MCUBS MidCity is focusing.

Furthermore, MCUBS MidCity has worked on cost reduction with an aim to further enhance profitability of the portfolio. MCUBS MidCity is changing electricity/gas contracts in line with the market deregulation and cost reduction from such efforts has begun contributing to profits.

(c) Overview of fund procurement

(i) Issuance of new investment units

During the 22nd fiscal period, MCUBS MidCity implemented additional issuance of new investment units through public offering with the payment date on February 28, 2017 (29,100 units) and through third-party allotment with the payment date of March 27, 2017 (1,500 units), to partly fund the new acquisition of two properties (total acquisition price: ¥13,700 million) made in March and April 2017. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 296,625 investment units.

(ii) 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 LTV at a conservative level, reducing refinancing risks and mitigating interest rate fluctuation risks.

In the 22nd fiscal period, MCUBS MidCity newly borrowed ¥18,000 million on January 31, 2017 to partly fund the new acquisition of two properties made in February 2017. In addition, MCUBS MidCity issued unsecured investment corporation bonds (5-year: ¥1,000 million, 10-year: ¥2,000 million) in May 2017 for the second consecutive year. Out of ¥18,000 million borrowed in January, early repayment was made for a total of ¥10,000 million (¥7,000 on March 31, 2017 using the proceeds from disposition of two properties and ¥3,000 million on May 31, 2017 using the funds procured from issuance of investment corporation bonds). As a result of these efforts, MCUBS MidCity has realized diversification of fund procurement methods and reduction of financial costs.

As of the end of the 22nd fiscal period, MCUBS MidCity had a balance of borrowings from 17 financial institutions in the amount of ¥98,975 million and had a balance of investment corporation bonds in the amount of ¥6,000 million. The ratio of interest-bearing liabilities to total assets stands at 42.2%, 100.0% of loans payable are long-term loans payable (including current portion of long-term loans payable) and 77.4% of loans payable are applied fixed interest rates (including those for which interest rates have been fixed via interest rate swap agreements).

The following is the status of MCUBS MidCity's issuer ratings as of the end of the 22nd fiscal period.

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

(d) Overview of business performance and distributions

As a result of the abovementioned asset management, MCUBS MidCity posted operating revenue of

¥8,025 million, operating income of ¥3,150 million, ordinary income of ¥2,527 million and net income of ¥2,527 million in its performance for the 22nd 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 intends to distribute in excess of 90% of distributable earnings. In accordance with the policy, MCUBS MidCity reserved internally ¥183 million yen as reserve for reduction entry, which is part of gain on sale of Midosuji MID Bldg. disposed in March 2017, under unappropriated retained earnings of ¥2,527 million, and decided to distribute the amount remaining (¥2,343 million) after deducting the reserved amount. As a result, MCUBS MidCity declared a distribution per unit of ¥7,900.

### (3) Outlook of next fiscal period

#### (a) Future asset management policy and challenges to address

##### (i) Internal growth strategy

In Osaka metropolitan area’s office leasing market where half of MCUBS MidCity’s portfolio assets are located, decrease in new supply amid ongoing strong office demand has made supply/demand balance tight, leading to continuous improvement in vacancy rates. In line with such, improvement in new-contract lease terms and conditions are seen and the market rent is turning to a moderate recovery trend.

On the other hand, Tokyo metropolitan area’s office leasing market is expecting a large volume of supply, mainly of large-scale buildings. However, as needs for floor expansion and relocation for expansion are still strong, the vacancy rate is likely to remain stable at a low level to a certain degree against the backdrop of such solid office demand. In addition, the market rent is also expected to remain stable.

Under such circumstances, in view of maintaining and enhancing revenue for the medium and long term, MCUBS MidCity is, based on the following strategies, working on heightening the tenant satisfaction levels of existing tenants through the provision of comfortable office environments and services to maintain and improve rent revenue and occupancy rates through initiatives for attracting new tenants.

##### <Strategy on existing tenants to maintain high occupancy rates>

As an initiative for capturing the needs and heightening the satisfaction levels of existing tenants, the Asset Management Company has been conducting surveys of tenant satisfaction levels on the tenants of multi-tenant buildings in MCUBS MidCity’s portfolio since the first fiscal period. Based on the results of the surveys, matters pointed out and requested by tenants, etc., the Asset Management Company instructs property management companies and building management companies, as well as considers and carries out repair and maintenance, value-enhancement and other construction work that fulfills tenant needs.

According to the results of the most recent survey conducted in November 2016 (11th survey), “convenience of building facilities/equipment” of properties in both Tokyo metropolitan area and Osaka metropolitan area has earned higher evaluation than before. This, we believe, is the result of improved tenant satisfaction and convenience due to renovation and renewal of common areas and facilities. The Asset Management Company will maintain such initiatives to listen to the “voice of office workers,” aiming to enhance satisfaction levels of existing tenants and the value of portfolio assets.

At Twin 21 and Matsushita IMP Bldg. located in Osaka Business Park (OBP) enjoying abundant

greenery with Osaka Castle Park nearby, PR activities are being implemented with the theme of “comfort” to pursue a favorable place to work from the viewpoint of office workers. MCUBS MidCity has moved forward with revitalization of retail zones at Twin 21 and Matsushita IMP Bldg. in line with the reconstruction and new construction of office buildings in OBP.

<Strategy on leasing to attract new tenants>

As for assets that have relatively large vacant space and scheduled vacant space among MCUBS MidCity’s portfolio assets, aggressive efforts will be continuously 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. In addition, MCUBS MidCity has worked to improve competitiveness of properties in view of provision of comfortable office environments by conducting upgrading of facilities and renewal of interiors one after another, as necessary.

Leveraging the strengths of having Mitsubishi Corp.- UBS Realty Group and the Kanden Realty & Development Group as its sponsors, the Asset Management Company conducts market analysis by utilizing tenant information, etc. that property management companies have acquired in closely working 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 facilitate effective attracting of new tenants.

<Address energy saving and CO<sub>2</sub> reduction>

Concerning its portfolio, MCUBS MidCity shares the view on sustainability with the Asset Management Company that strives to respond to the environment and social responsibility based on the “Environment Charter” and “Basic Policy on Responsible Real Estate Investment,” implements environmental and energy saving measures, streamlines energy use, and appropriately responds to environmental consideration and reduction of environmental burden.

In addition, MCUBS MidCity is proactively making efforts in external evaluation and certification systems concerning the environment. In the continuous monitoring under DBJ Green Building certification (five-level certification system) issued by the Development Bank of Japan (DBJ), ratings for Twin 21, Matsushita IMP Bldg., Kitahama MID Bldg. and Higobashi MID Bldg. were upgraded to 4-star in recognition of efforts meeting the needs of the times, such as extensive office facilities and disaster prevention measures. Furthermore, some of MCUBS MidCity’s portfolio assets have received Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification and Building Housing Energy-efficiency Labeling System (BELS) certification. MCUBS MidCity has also been participating in real estate evaluation of Global Real Estate Sustainability Benchmark (GRESB) since 2016 and has been designated as "Green Star," the highest ranking.

(ii) External growth strategy

MCUBS MidCity strives to improve the risk-return profile of its portfolio via acquiring assets under management in view of mitigating risks of fluctuations in revenue with the effects of diversifying its portfolio of assets under management, etc. 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 properties in the three major metropolitan areas. In addition, from the standpoint of securing more opportunities for property acquisition and diversified investment,

investment targets also include so-called “government-designated cities” – cities with populations of over 500,000 – as well as other major cities and abroad, outside of 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 securing more opportunities for property acquisition and diversified investment, 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 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.

- (b) Important matters subsequent to the end of the fiscal period  
Not applicable.

(c) Outlook of business

The following is MCUBS MidCity's business outlook for the fiscal period ending December 31, 2017 (July 1, 2017 to December 31, 2017). For the assumptions underlying the forecast of business, please refer to the “Assumptions regarding business outlook for the 23rd fiscal period (July 1, 2017 to December 31, 2017) and the 24th fiscal period (January 1, 2018 to June 30, 2018)” below.

|   |                |
|---|----------------|
| Operating revenue                           | ¥7,615 million |
| Operating income                            | ¥2,973 million |
| Ordinary income                             | ¥2,388 million |
| Net income                                  | ¥2,387 million |
| Distribution per unit                       | ¥8,050         |
| Distribution in excess of earnings per unit | ¥0             |

In addition, assuming that the “Assumptions regarding business outlook for the 23rd fiscal period (July 1, 2017 to December 31, 2017) and the 24th fiscal period (January 1, 2018 to June 30, 2018)” remain unchanged, MCUBS MidCity expects the following business outlook for its 24th fiscal period (January 1, 2018 to June 30, 2018).

|   |                |
|---|----------------|
| Operating revenue                           | ¥7,451 million |
| Operating income                            | ¥2,970 million |
| Ordinary income                             | ¥2,403 million |
| Net income                                  | ¥2,402 million |
| Distribution per unit                       | ¥8,100         |
| Distribution in excess of earnings per unit | ¥0             |

[Note] The business outlook presented herein is 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 outlook  
for the 23rd fiscal period (July 1, 2017 to December 31, 2017) and the  
24th fiscal period (January 1, 2018 to June 30, 2018)

| Item  | Assumptions   |
|---|---|
| Assets under management                           | <ul style="list-style-type: none"> <li>• It is assumed that there will be no changes (new property acquisition, disposition of existing property, etc.) in MCUBS MidCity's assets under management until the end of the 24th fiscal period from a total of 20 properties (including holding of silent partnership interests) owned as at June 30, 2017.</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 of August 15, 2017, with due consideration of several factors such as the market environment, characteristics and market competitiveness of individual properties, and 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 a forecast of occupancy of real estate which backs cash flows.</li> </ul>  |
| Operating expenses                                | <ul style="list-style-type: none"> <li>• Of the expenses related to the 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 of ¥847 million and ¥820 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively.</li> <li>• Utilities expenses of ¥720 million and ¥622 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively.</li> <li>• Fixed asset taxes, etc. of ¥595 million and ¥635 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively.</li> <li>• Generally, fixed asset taxes, city planning taxes, and other taxes for the acquisition of real estate and the like are calculated on a pro rata basis and settled at the acquisition date. For MCUBS MidCity, such settled amount is included in the acquisition price, and these taxes will be recorded as expenses from the following year of acquisition. These taxes for the four properties (Sakuragaoka Square (additional acquisition), Sendai Capital Tower, Sasazuka Center Bldg. and USC Bldg.) acquired in the 22nd fiscal period are not recorded as expenses in 23rd fiscal period and are assumed to be ¥40 million (equivalent to three months) in the 24th fiscal period.</li> <li>• The amount expected to be necessary for building repair expenses in the respective fiscal period is recorded as expenses. Building repair expenses of ¥356 million and ¥247 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively. 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. ¥1,258 million and ¥1,286 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively.</li> </ul> |
| Non-operating expenses                            | <ul style="list-style-type: none"> <li>• Interest expenses of ¥415 million and ¥405 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively.</li> <li>• Borrowing-related expenses of ¥139 million and ¥132 million are expected for the 23rd fiscal period and for the 24th fiscal period, respectively.</li> </ul>   |
| Interest-bearing liabilities                      | <ul style="list-style-type: none"> <li>• It is assumed that the balance of interest-bearing liabilities outstanding will be ¥104,975 million and ¥104,975 million as of the end of the 23rd fiscal period and as of the end of the 24th fiscal period, respectively.</li> <li>• The scheduled repayments in the 23rd fiscal period of ¥13,675 million (due for repayment on July 31, 2017) was refinanced by the same amount of new bank loans.</li> </ul>  |
| Number of investment units issued and outstanding | <ul style="list-style-type: none"> <li>• It is assumed that the number of investment units issued and outstanding will be 296,625, which is the number as of June 30, 2017, and that no additional new investment units are issued by the end of the 24th fiscal period.</li> </ul>   |
| 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 may 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>   |

|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• It is assumed that no reversal of reserve for reduction entry will be made.</li> </ul>  |
| Distribution in excess of earnings per unit | <ul style="list-style-type: none"> <li>• It is assumed that there will be no cash distributions in excess of earnings (distribution in excess of earnings per unit).</li> </ul>  |
| Other                                       | <ul style="list-style-type: none"> <li>• It is assumed that 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>• It is assumed that there will be no major and unforeseen changes in general economic trends, real estate market conditions, etc.</li> </ul> |

### 3. Financial information

#### (1) Balance sheets

(Thousands of yen)

|  | As of              |                    |
|--|--------------------|--------------------|
|  | December 31, 2016  | June 30, 2017      |
| <b>ASSETS</b>  |                    |                    |
| <b>Current assets:</b>                                   |                    |                    |
| Cash and bank deposits                                   | 6,562,889          | 9,911,529          |
| Cash and bank deposits in trust                          | 7,867,449          | 5,535,252          |
| Rental receivables                                       | 152,962            | 258,623            |
| Income taxes receivable                                  | 21,207             | 20,976             |
| Consumption tax refundable                               | —                  | 333,562            |
| Prepaid expenses   | 45,574             | 47,211             |
| Deferred tax assets                                      | 15                 | 14                 |
| Other  | 7,417              | 28,069             |
| <b>Total current assets</b>                              | <b>14,657,517</b>  | <b>16,135,240</b>  |
| <b>Noncurrent assets:</b>                                |                    |                    |
| <b>Property, plant and equipment:</b>                    |                    |                    |
| Buildings in trust, at cost (Note 1)                     | 73,954,970         | 77,291,095         |
| Less: Accumulated depreciation                           | (20,640,675)       | (20,605,424)       |
| Buildings in trust, net                                  | 53,314,295         | 56,685,671         |
| Structures in trust, at cost                             | 119,205            | 130,240            |
| Less: Accumulated depreciation                           | (28,260)           | (28,239)           |
| Structures in trust, net                                 | 90,945             | 102,000            |
| Machinery and equipment in trust, at cost                | 7,916              | 7,916              |
| Less: Accumulated depreciation                           | (2,375)            | (2,695)            |
| Machinery and equipment in trust, net                    | 5,541              | 5,220              |
| Tools, furniture and fixtures in trust, at cost (Note 1) | 567,171            | 556,596            |
| Less: Accumulated depreciation                           | (403,798)          | (401,781)          |
| Tools, furniture and fixtures in trust, net              | 163,372            | 154,814            |
| Land in trust  | 151,954,124        | 169,977,198        |
| Construction in progress in trust                        | 4,298              | 5,663              |
| <b>Total net property, plant and equipment</b>           | <b>205,532,578</b> | <b>226,930,569</b> |
| <b>Intangible assets:</b>                                |                    |                    |
| Software   | 4,182              | 4,020              |
| Trademark right  | 224                | 160                |
| <b>Total intangible assets</b>                           | <b>4,406</b>       | <b>4,180</b>       |
| <b>Investments and other assets:</b>                     |                    |                    |
| Investment securities                                    | 5,085,027          | 5,085,027          |
| Lease and guarantee deposits                             | 10,000             | 10,000             |
| Long-term prepaid expenses                               | 554,128            | 522,181            |
| <b>Total investments and other assets</b>                | <b>5,649,156</b>   | <b>5,617,208</b>   |
| <b>Total noncurrent assets</b>                           | <b>211,186,141</b> | <b>232,551,959</b> |
| <b>Deferred assets:</b>                                  |                    |                    |
| Investment corporation bonds issuance costs              | 28,900             | 57,596             |
| Investment unit issuance costs                           | 44,323             | 77,023             |
| <b>Total deferred assets</b>                             | <b>73,223</b>      | <b>134,619</b>     |
| <b>TOTAL ASSETS</b>                                      | <b>225,916,881</b> | <b>248,821,819</b> |

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(Thousands of yen)

|   | As of              |                    |
|---|--------------------|--------------------|
|   | December 31, 2016  | June 30, 2017      |
| <b>LIABILITIES</b>                              |                    |                    |
| <b>Current liabilities:</b>                     |                    |                    |
| Operating accounts payable                      | 392,099            | 606,408            |
| Current portion of long-term loans payable      | 13,800,000         | 13,675,000         |
| Accounts payable – other                        | 930,239            | 1,051,686          |
| Accrued expenses                                | 124,458            | 139,178            |
| Distribution payable                            | 9,547              | 7,901              |
| Consumption taxes payable                       | 39,956             | —                  |
| Advances received                               | 986,557            | 1,092,407          |
| Other   | 621,955            | 615,506            |
| <b>Total current liabilities</b>                | <b>16,904,815</b>  | <b>17,188,088</b>  |
| <b>Noncurrent liabilities:</b>                  |                    |                    |
| Investment corporation bonds – unsecured        | 3,000,000          | 6,000,000          |
| Long-term loans payable                         | 77,300,000         | 85,300,000         |
| Tenant leasehold and security deposits          | 8,245,717          | 12,299,221         |
| Tenant leasehold and security deposits in trust | 3,246,312          | 358,930            |
| <b>Total noncurrent liabilities</b>             | <b>91,792,030</b>  | <b>103,958,152</b> |
| <b>TOTAL LIABILITIES</b>                        | <b>108,696,845</b> | <b>121,146,240</b> |
| <b>NET ASSETS</b>                               |                    |                    |
| <b>Unitholders' equity:</b>                     |                    |                    |
| Unitholders' capital                            | 115,243,069        | 125,148,412        |
| Surplus:  |                    |                    |
| Retained earnings                               | 1,976,966          | 2,527,166          |
| Total surplus                                   | 1,976,966          | 2,527,166          |
| <b>Total unitholders' equity</b>                | <b>117,220,036</b> | <b>127,675,578</b> |
| <b>TOTAL NET ASSETS (Note 2)</b>                | <b>117,220,036</b> | <b>127,675,578</b> |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>225,916,881</b> | <b>248,821,819</b> |

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

## (2) Statements of income and retained earnings

(Thousands of yen)

|   | <b>For the six months ended</b> |                      |
|---|---------------------------------|----------------------|
|   | <b>December 31, 2016</b>        | <b>June 30, 2017</b> |
| <b>Operating revenue</b>                                    |                                 |                      |
| Rent revenue—real estate (Note 4)                           | 6,388,006                       | 6,825,340            |
| Other rental business revenue (Note 4)                      | 509,180                         | 535,622              |
| Dividends income  | 108,319                         | 107,087              |
| Gain on sales of property (Note 5)                          | —                               | 557,469              |
| Total operating revenue                                     | <u>7,005,506</u>                | <u>8,025,520</u>     |
| <b>Operating expenses</b>                                   |                                 |                      |
| Expenses related to rental business                         | 3,780,925                       | 3,924,768            |
| Loss on sales of property (Note 5)                          | —                               | 225,860              |
| Asset management fees                                       | 559,474                         | 585,179              |
| Asset custody fee   | 5,556                           | 5,750                |
| Administrative service fees                                 | 32,025                          | 33,002               |
| Directors' compensations                                    | 5,700                           | 6,200                |
| Other   | 70,010                          | 94,614               |
| Total operating expenses                                    | <u>4,453,693</u>                | <u>4,875,374</u>     |
| <b>Operating income</b>                                     | <u>2,551,813</u>                | <u>3,150,146</u>     |
| <b>Non-operating income</b>                                 |                                 |                      |
| Interest income   | 78                              | 70                   |
| Reversal of distribution payable                            | 279                             | 1,041                |
| Interest on refund  | 17                              | 21                   |
| Total non-operating income                                  | <u>375</u>                      | <u>1,133</u>         |
| <b>Non-operating expenses</b>                               |                                 |                      |
| Interest expenses   | 394,632                         | 409,147              |
| Interest expenses on investment corporation bonds           | 8,624                           | 10,071               |
| Borrowing related expenses                                  | 152,875                         | 141,243              |
| Amortization of investment corporation bonds issuance costs | 2,290                           | 3,006                |
| Amortization of investment unit issuance costs              | 14,566                          | 20,475               |
| Other   | 1,364                           | 39,400               |
| Total non-operating expenses                                | <u>574,355</u>                  | <u>623,344</u>       |
| <b>Ordinary income</b>                                      | <u>1,977,833</u>                | <u>2,527,934</u>     |
| <b>Income before income taxes</b>                           | <u>1,977,833</u>                | <u>2,527,934</u>     |
| <b>Income taxes</b>   |                                 |                      |
| Current   | 923                             | 900                  |
| Deferred  | (0)                             | 1                    |
| Total income taxes  | <u>922</u>                      | <u>902</u>           |
| <b>Net income</b>   | <u>1,976,910</u>                | <u>2,527,032</u>     |
| <b>Retained earnings brought forward</b>                    | 55                              | 134                  |
| <b>Unappropriated retained earnings</b>                     | 1,976,966                       | 2,527,166            |

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

## (3) Statements of changes in net assets

(Thousands of yen)

**For the six months ended December 31, 2016**

|  | Unitholders' equity           |                   |               |                           | Total net assets |
|--|-------------------------------|-------------------|---------------|---------------------------|------------------|
|  | Unitholders' capital (Note 2) | Surplus           |               | Total unitholders' equity |                  |
|  |                               | Retained earnings | Total surplus |                           |                  |
| <b>Balance as of July 1, 2016</b>      | 115,243,069                   | 1,888,832         | 1,888,832     | 117,131,902               | 117,131,902      |
| <u>Changes during the period</u>       |                               |                   |               |                           |                  |
| Dividends from surplus                 | —                             | (1,888,777)       | (1,888,777)   | (1,888,777)               | (1,888,777)      |
| Net income                             | —                             | 1,976,910         | 1,976,910     | 1,976,910                 | 1,976,910        |
| <u>Total changes during the period</u> | —                             | 88,133            | 88,133        | 88,133                    | 88,133           |
| <b>Balance as of December 31, 2016</b> | 115,243,069                   | 1,976,966         | 1,976,966     | 117,220,036               | 117,220,036      |

**For the six months ended June 30, 2017**

|  | Unitholders' equity           |                   |               |                           | Total net assets |
|--|-------------------------------|-------------------|---------------|---------------------------|------------------|
|  | Unitholders' capital (Note 2) | Surplus           |               | Total unitholders' equity |                  |
|  |                               | Retained earnings | Total surplus |                           |                  |
| <b>Balance as of January 1, 2017</b>   | 115,243,069                   | 1,976,966         | 1,976,966     | 117,220,036               | 117,220,036      |
| <u>Changes during the period</u>       |                               |                   |               |                           |                  |
| Issuance of new investment units       | 9,905,342                     | —                 | —             | 9,905,342                 | 9,905,342        |
| Dividends from surplus                 | —                             | (1,976,831)       | (1,976,831)   | (1,976,831)               | (1,976,831)      |
| Net income                             | —                             | 2,527,032         | 2,527,032     | 2,527,032                 | 2,527,032        |
| <u>Total changes during the period</u> | 9,905,342                     | 550,200           | 550,200       | 10,455,542                | 10,455,542       |
| <b>Balance as of June 30, 2017</b>     | 125,148,412                   | 2,527,166         | 2,527,166     | 127,675,578               | 127,675,578      |

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

## (4) Statements of cash distributions

(Yen)

|  | For the six months ended |               |
|--|--------------------------|---------------|
|  | December 31, 2016        | June 30, 2017 |
| Unappropriated retained earnings         | 1,976,966,422            | 2,527,166,823 |
| Cash distribution declared               | 1,976,831,775            | 2,343,337,500 |
| (Cash distribution declared per unit)    | (7,431)                  | (7,900)       |
| Voluntary reserve                        |                          |               |
| Provision of reserve for reduction entry | —                        | 183,659,375   |
| Retained earnings carried forward        | 134,647                  | 169,948       |

Note:For the six months ended December 31, 2016

In accordance with the distribution policy in Article 34, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15 of the Special Taxation Measures Act of Japan and Article 39-32-3 of the Ordinance for Enforcement of the Special Taxation Measures Act for the fiscal period, cash distributions declared for the six months ended December 31, 2016 were ¥1,976,831,775 which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 34, Paragraph 1, Item 4.

For the six months ended June 30, 2017

In accordance with the distribution policy in Article 34, Paragraph 1, Item 2 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15 of the Special Taxation Measures Act of Japan and Article 39-32-3 of the Ordinance for Enforcement of the Special Taxation Measures Act for the fiscal period, the Investment Corporation transferred a portion of unappropriated retained earnings calculated based on Article 65-7 of the Special Taxation Measures

Act of Japan to reserve for reduction entry and declared a total of ¥2,343,337,500 for cash distributions which is all of the remaining unappropriated retained earnings except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution in excess of profit prescribed in the article of incorporation 34, Paragraph 1, Item 4.

## (5) Statements of cash flows

(Thousands of yen)

|   | For the six months ended |                   |
|---|--------------------------|-------------------|
|   | December 31, 2016        | June 30, 2017     |
| <b>Net cash provided by (used in) operating activities:</b>           |                          |                   |
| Income before income taxes  | 1,977,833                | 2,527,934         |
| Depreciation and amortization   | 1,288,489                | 1,279,622         |
| Amortization of long-term prepaid expenses                            | 100,943                  | 102,742           |
| Amortization of investment unit issuance costs                        | 14,566                   | 20,475            |
| Amortization of investment corporation bonds issuance costs           | 2,290                    | 3,006             |
| Interest income   | (78)                     | (70)              |
| Interest expenses   | 394,632                  | 419,219           |
| Loss on disposal of property  | 1,824                    | —                 |
| Changes in assets and liabilities:                                    |                          |                   |
| Decrease (increase) in operating accounts receivable                  | 18,184                   | (105,661)         |
| Decrease in consumption taxes refundable                              | —                        | (333,562)         |
| Increase (decrease) in consumption taxes payable                      | (243,614)                | (39,956)          |
| Increase (decrease) in operating accounts payable                     | (55,257)                 | 214,308           |
| Increase (decrease) in advances received                              | (57)                     | 105,850           |
| Decrease (increase) in prepaid expenses                               | (9,162)                  | (1,636)           |
| Payments of long-term prepaid expenses                                | (129,340)                | (70,794)          |
| Decrease in property, plant and equipment in trust due to disposition | —                        | 10,256,686        |
| Other, net  | 54,414                   | 1,807             |
| Subtotal  | 3,415,668                | 14,379,970        |
| Interest income received  | 78                       | 70                |
| Interest expenses paid  | (410,821)                | (404,499)         |
| Income taxes paid   | —                        | (648)             |
| Income taxes refund   | 3,043                    | —                 |
| Net cash provided by operating activities                             | 3,007,968                | 13,974,892        |
| <b>Net cash provided by (used in) investing activities:</b>           |                          |                   |
| Purchases of property, plant and equipment in trust                   | (720,634)                | (32,849,528)      |
| Purchases of intangible assets  | —                        | (317)             |
| Proceeds from tenant leasehold and security deposits                  | 209,795                  | 4,725,260         |
| Proceeds from tenant leasehold and security deposits in trust         | 285,525                  | 1,519,138         |
| Payments of tenant leasehold and security deposits                    | (277,848)                | (632,817)         |
| Payments of tenant leasehold and security deposits in trust           | (210,228)                | (4,438,212)       |
| Proceeds from restricted bank deposits in trust                       | 433                      | 3,059,051         |
| Payments for restricted bank deposits in trust                        | (24,546)                 | —                 |
| Net cash used in investing activities                                 | (737,504)                | (28,617,425)      |
| <b>Net cash provided by (used in) financing activities:</b>           |                          |                   |
| Increase in short-term loans payable                                  | —                        | 10,000,000        |
| Repayments of short-term loans payable                                | —                        | (10,000,000)      |
| Proceeds from long-term loans payable                                 | 18,400,000               | 8,000,000         |
| Repayments of long-term loans payable                                 | (20,025,000)             | (125,000)         |
| Proceeds from investment corporation bonds – unsecured                | —                        | 2,968,297         |
| Proceeds from issuance of investment units                            | —                        | 9,852,167         |
| Dividends paid  | (1,887,293)              | (1,977,437)       |
| Net cash provided (used) by financing activities                      | (3,512,293)              | 18,718,027        |
| <b>Net change in cash and cash equivalents</b>                        | <b>(1,241,829)</b>       | <b>4,075,493</b>  |
| <b>Cash and cash equivalents at beginning of period</b>               | <b>12,448,865</b>        | <b>11,207,036</b> |
| <b>Cash and cash equivalents at end of period (Note 6)</b>            | <b>11,207,036</b>        | <b>15,282,529</b> |

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.



(6) Note relating to going concern assumption

Nothing to be noted.

(7) Summary of significant accounting policies

**(a) Securities**

Non-marketable securities held as available-for-sale are stated at cost determined by the moving average method. Investments in Tokumei Kumiai (silent partnership) agreements are accounted for by using the equity method of accounting.

**(b) Property, plant and equipment**

Property, plant and equipment is recorded at cost. Depreciation of property, plant 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 |

**(c) Intangible assets**

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

**(d) Long-term prepaid expenses**

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

**(e) Investment unit issuance costs**

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

**(f) 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.

**(g) Taxes on property, plant and equipment**

Property, plant 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 accounting principles and practices generally accepted in Japan (“Japanese GAAP”). In subsequent calendar years, half of such taxes on property, plant and equipment for

each calendar year are charged as operating expenses in each fiscal period.

No taxes on property, plant and equipment were capitalized for the six months period ended for December 31, 2016. Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥136,330 thousand for the six months ended June 30, 2017.

***(h) Hedge accounting***

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

***(j) Accounting treatment of trust beneficiary interests in real estate trusts***

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

***(k) Consumption taxes***

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

(8) Notes to financial information

**Note 1 – Reduction entry for property**

Acquisition costs of certain properties in trust were reduced by government subsidies received or insurance income. The accumulated amounts of such reduction were as follows:

(Thousands of yen)

|  | As of             |               |
|--|-------------------|---------------|
|  | December 31, 2016 | June 30, 2017 |
| Reduction entry by:                    |                   |               |
| Government subsidies received          |                   |               |
| Buildings in trust                     | 4,864             | 4,864         |
| Tools, furniture and fixtures in trust | 7,279             | 7,279         |
| Insurance income                       |                   |               |
| Buildings in trust                     | 68,700            | 68,700        |

**Note 2 – Unitholders' equity**

(1) Number of units

|                        | As of             |                 |
|------------------------|-------------------|-----------------|
|                        | December 31, 2016 | June 30, 2017   |
| Authorized             | 2,000,000 units   | 2,000,000 units |
| Issued and outstanding | 266,025 units     | 296,625 units   |

(2) The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required by Article 67-4 of the Act on Investment Trusts and Investment Corporations of Japan.

**Note 3 – Commitment line**

As of December 31, 2016 and June 30, 2017, the Investment Corporation entered into committed lines of credit with Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as follows:

(Thousands of yen)

|   | As of             |               |
|---|-------------------|---------------|
|   | December 31, 2016 | June 30, 2017 |
| Total amount of committed lines of credit | 15,000,000        | 15,000,000    |
| Borrowings drawn down                     | —                 | —             |
| Unused committed lines of credit          | 15,000,000        | 15,000,000    |

#### Note 4 – Rental business revenue and expenses

Revenue and expenses related to property rental business for the six months ended December 31, 2016 and June 30, 2017 consist of the following:

(Thousands of yen)

|  | For the six months ended |                  |
|--|--------------------------|------------------|
|  | December 31, 2016        | June 30, 2017    |
| <b>Rental business revenue:</b>                          |                          |                  |
| Rent revenue—real estate:                                |                          |                  |
| Rental revenue   | 5,211,634                | 5,549,522        |
| Common area charges                                      | 986,678                  | 1,070,569        |
| Other  | 189,694                  | 205,247          |
| Total rent revenue—real estate                           | 6,388,006                | 6,825,340        |
| Other rental business revenue:                           |                          |                  |
| Utilities  | 452,686                  | 446,270          |
| Cancellation penalty                                     | 13,539                   | —                |
| Other  | 42,954                   | 89,351           |
| Total other rental business revenue                      | 509,180                  | 535,622          |
| Total rental business revenue                            | 6,897,186                | 7,360,963        |
| <b>Expenses related to rental business:</b>              |                          |                  |
| Property management fees                                 | 833,056                  | 868,352          |
| Utilities  | 686,059                  | 629,206          |
| Property-related taxes                                   | 647,248                  | 644,725          |
| Insurance  | 10,876                   | 11,218           |
| Repair and maintenance                                   | 235,800                  | 418,944          |
| Depreciation   | 1,288,489                | 1,279,622        |
| Loss on disposal of property                             | 1,824                    | —                |
| Other  | 77,570                   | 72,697           |
| Total expenses related to rental business                | 3,780,925                | 3,924,768        |
| <b>Operating income from property leasing activities</b> | <b>3,116,261</b>         | <b>3,436,194</b> |

#### Note 5 – Gain or loss on sales of property

Analysis of gain or loss on sales of property for the six months ended June 30, 2017 is as follows:

(Thousands of yen)

|                                       | For the six months ended June 30, 2017 |                                     |
|---------------------------------------|--|-------------------------------------|
|                                       | Midosuji MID Bldg.                     | MID<br>Midosujikawaramachi<br>Bldg. |
| Sale of property                      | 9,000,000                              | 1,700,000                           |
| Cost of property                      | 8,351,018                              | 1,905,668                           |
| Other sales expenses                  | 91,511                                 | 20,191                              |
| Gain (loss) on sales of property, net | 557,469                                | (225,860)                           |

## Note 6 – Cash and cash equivalents

Cash and cash equivalents shown in the statement of cash flows consist of the following balance sheet items:

(Thousands of yen)

|  | As of             |               |
|--|-------------------|---------------|
|  | December 31, 2016 | June 30, 2017 |
| Cash and bank deposits                           | 6,562,889         | 9,911,529     |
| Cash and bank deposits in trust                  | 7,867,449         | 5,535,252     |
| Restricted bank deposits in trust <sup>(1)</sup> | (3,223,303)       | (164,251)     |
| Cash and cash equivalents                        | 11,207,036        | 15,282,529    |

Note:

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

## Note 7 – Leases

### (a) Lease rental revenues

The Investment Corporation leases its properties mainly to corporate tenants. Future minimum rental revenues pursuant to existing rental contracts as of December 31, 2016 and June 30, 2017 scheduled to be received are summarized as follows:

(Thousands of yen)

|                     | As of             |               |
|---------------------|-------------------|---------------|
|                     | December 31, 2016 | June 30, 2017 |
| Due within one year | 3,074,792         | 3,457,734     |
| Due after one year  | 3,208,178         | 5,502,175     |
| Total               | 6,282,970         | 8,959,910     |

### (b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of December 31, 2016 and June 30, 2017 are as follows:

(Thousands of yen)

|                     | As of             |               |
|---------------------|-------------------|---------------|
|                     | December 31, 2016 | June 30, 2017 |
| Due within one year | 6,036             | 6,036         |
| Due after one year  | 19,617            | 16,599        |
| Total               | 25,653            | 22,635        |

## Note 8 – Financial instruments

### (a) Qualitative information for financial instruments

#### (i) Policy for financial instrument transactions

The Investment Corporation 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 and security deposits or investment corporation bond are managed by decentralizing maturity date of loans payable and investment corporation bond, or 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 Investment Corporation 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, 2016 and June 30, 2017.

(Thousands of yen)

|  | As of             |            |            |                  |             |            |
|--|-------------------|------------|------------|------------------|-------------|------------|
|  | December 31, 2016 |            |            | June 30, 2017    |             |            |
|  | Carrying amounts  | Fair value | Difference | Carrying amounts | Fair value  | Difference |
| (1) Cash and bank deposits                     | 6,562,889         | 6,562,889  | —          | 9,911,529        | 9,911,529   | —          |
| (2) Cash and bank deposits in trust            | 7,867,449         | 7,867,449  | —          | 5,535,252        | 5,535,252   | —          |
| Total assets                                   | 14,430,339        | 14,430,339 | —          | 15,446,781       | 15,446,781  | —          |
| (3) Current portion of long-term loans payable | 13,800,000        | 13,872,255 | 72,255     | 13,675,000       | 13,703,617  | 28,617     |
| (4) Investment corporation bonds – unsecured   | 3,000,000         | 2,977,050  | (22,950)   | 6,000,000        | 5,976,950   | (23,050)   |
| (5) Long-term loans payable                    | 77,300,000        | 78,028,898 | 728,898    | 85,300,000       | 85,933,573  | 633,573    |
| Total liabilities                              | 94,100,000        | 94,878,203 | 778,203    | 104,975,000      | 105,614,141 | 639,141    |
| (6) Derivatives instruments                    | —                 | —          | —          | —                | —           | —          |

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

(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.

(3) Current portion of long-term loans payable and (5) 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.

(4) *Investment corporation bonds – unsecured*

The fair value is the quoted price provided by financial market information provider.

(6) *Derivative instruments*

Please refer to “Note 9 - Derivative instruments.”

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

|   | (Thousands of yen) |               |
|---|--------------------|---------------|
|   | As of              |               |
|   | December 31, 2016  | June 30, 2017 |
| Investment securities                           | 5,085,027          | 5,085,027     |
| Tenant leasehold and security deposits          | 8,245,717          | 12,299,221    |
| Tenant leasehold and security deposits in trust | 3,246,312          | 358,930       |

The investment securities (equity interests in silent partner ship) are not traded in markets, and it is difficult to estimate reasonable fair value. Also, the above carrying amounts of tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value 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 flows schedule of financial assets after the balance sheet date

| (Thousands of yen)              |              |           |           |           |           |              |
|---------------------------------|--------------|-----------|-----------|-----------|-----------|--------------|
| As of December 31, 2016         | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
| Cash and bank deposits          | 6,562,889    | -         | -         | -         | -         | -            |
| Cash and bank deposits in trust | 7,867,449    | -         | -         | -         | -         | -            |
| Total                           | 14,430,339   | -         | -         | -         | -         | -            |

  

| (Thousands of yen)              |              |           |           |           |           |              |
|---------------------------------|--------------|-----------|-----------|-----------|-----------|--------------|
| As of June 30, 2017             | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
| Cash and bank deposits          | 9,911,529    | -         | -         | -         | -         | -            |
| Cash and bank deposits in trust | 5,535,252    | -         | -         | -         | -         | -            |
| Total                           | 15,446,781   | -         | -         | -         | -         | -            |

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

| (Thousands of yen)                       |              |            |            |            |            |              |
|--|--------------|------------|------------|------------|------------|--------------|
| As of December 31, 2016                  | Up to 1 year | 1-2 years  | 2-3 years  | 3-4 years  | 4-5 years  | Over 5 years |
| Long-term loans payable                  | 13,800,000   | 15,300,000 | 15,200,000 | 22,850,000 | 14,250,000 | 9,700,000    |
| Investment corporation bonds – unsecured | -            | -          | -          | -          | 1,500,000  | 1,500,000    |

  

| (Thousands of yen)                       |              |            |            |            |            |              |
|--|--------------|------------|------------|------------|------------|--------------|
| As of June 30, 2017                      | Up to 1 year | 1-2 years  | 2-3 years  | 3-4 years  | 4-5 years  | Over 5 years |
| Long-term loans payable                  | 13,675,000   | 15,300,000 | 23,750,000 | 19,600,000 | 12,950,000 | 13,700,000   |
| Investment corporation bonds – unsecured | -            | -          | -          | 1,500,000  | 1,000,000  | 3,500,000    |

## Note 9 – Derivative instruments

Derivative instruments are used only for hedging purpose and are subject to hedge accounting as following tables show.

| (Thousands of yen)   |   |                         |  |             |            |                                    |
|--|---|-------------------------|--|-------------|------------|------------------------------------|
| Method of hedge accounting   | Derivative instruments  | Hedged item             | Notional contract amount of derivative instruments |             | Fair value | Method used to estimate fair value |
|  |   |                         |  | Over 1 year |            |                                    |
| Special treatment for hedge accounting of interest rate swaps (Note 1) | Interest rate swaps<br>(Floating-rate to fixed-rate interest) | Long-term loans payable | 41,400,000   | 31,100,000  | Note 1     | -                                  |

| (Thousands of yen)   |   |                         |  |             |            |                                    |
|--|---|-------------------------|--|-------------|------------|------------------------------------|
| Method of hedge accounting   | Derivative instruments  | Hedged item             | Notional contract amount of derivative instruments |             | Fair value | Method used to estimate fair value |
|  |   |                         |  | Over 1 year |            |                                    |
| Special treatment for hedge accounting of interest rate swaps (Note 1) | Interest rate swaps<br>(Floating-rate to fixed-rate interest) | Long-term loans payable | 41,400,000   | 31,100,000  | Note 1     | -                                  |

Note:

- (1) As disclosed in “(7) Summary of significant accounting policies (h) Hedge accounting”, the Investment Corporation 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 the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as the hedged items is calculated together as one and disclosed as such under Note (i) in “Note 8 - Financial instruments (b) Quantitative information for financial instruments”.

## Note 10 – Related-party transactions

The following tables show related-party transactions for the six months ended December 31, 2016 and June 30, 2017.

### For the six months ended December 31, 2016:

| Type of related-party           | Name           | Business or occupation   | Voting interest in the Company | Transactions for the period   |                        | Balance at end of the period |                        |
|---------------------------------|----------------|--|--------------------------------|---|------------------------|------------------------------|------------------------|
|                                 |                |  |                                | Type of transaction   | Amounts <sup>(2)</sup> | Balance sheet account        | Amounts <sup>(2)</sup> |
| Executive officer and relatives | Katsura Matsuo | Executive Director of the Investment Corporation<br>President & CEO & Representative Director of the Asset Manager | —                              | Payment of asset management fee to the Asset Manager <sup>(1)</sup> | 559,474                | Accounts payable - other     | 604,232                |

### For the six months ended June 30, 2017:

| Type of related-party           | Name                          | Business or occupation   | Voting interest in the Company | Transactions for the period   |                        | Balance at end of the period |                        |
|---------------------------------|-------------------------------|--|--------------------------------|---|------------------------|------------------------------|------------------------|
|                                 |                               |  |                                | Type of transaction   | Amounts <sup>(2)</sup> | Balance sheet account        | Amounts <sup>(2)</sup> |
| Executive officer and relatives | Katsura Matsuo <sup>(3)</sup> | Executive Director of the Investment Corporation<br>President & CEO & Representative Director of the Asset Manager | —                              | Payment of asset management fee to the Asset Manager <sup>(1)</sup> | 420,300 <sup>(4)</sup> | —                            | —                      |

#### Notes:

- (1) The terms and conditions of payment of the asset management fee have been based on the Investment Corporation's articles of incorporation.
- (2) The transaction amounts exclude consumption taxes and the balance amounts include those taxes.
- (3) Katsura Matsuo resigned from President & CEO & Representative Director of the Asset Manager on June 1, 2017 and Executive officer of the Investment Corporation on June 2, 2017.
- (4) Payments of the asset management fee for the six months ended June 30, 2017 are comprised of ¥107,000 thousand of asset management fees relating to sale of property charged to income as other sales expenses and ¥313,300 thousand of acquisition fees capitalized as part of the acquisition cost of properties.

## Note 11 – Segment information

Segment information for the six months ended December 31, 2016 and June 30, 2017 is as follows:

### (a) Operating segment information

Disclosure is omitted as the Investment Corporation 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

| Name of customer      | Revenues for the six months ended |               | Relating segment         |
|-----------------------|-----------------------------------|---------------|--------------------------|
|                       | December 31, 2016                 | June 30, 2017 |                          |
| Panasonic Corporation | 923,562                           | 923,050       | Property rental business |
| AEON Retail Co., Ltd. | 726,000                           | 726,000       | Property rental business |



## Note 12 – Fair value of investment and rental property

The Investment Corporation has mainly office buildings as investment and rental properties which are located in Tokyo and Osaka metropolitan areas or other areas in Japan. The following table shows the net book value and the fair value of the investment and rental properties in aggregate for the six months ended December 31, 2016 and June 30, 2017.

(Thousands of yen)

|  | As of / For the six months ended |               |
|--|----------------------------------|---------------|
|  | December 31, 2016                | June 30, 2017 |
| <b>Net book value</b>                                    |                                  |               |
| Balance at the beginning of the period                   | 206,085,313                      | 205,528,279   |
| Net increase (decrease) during the period <sup>(1)</sup> | (557,034)                        | 21,396,626    |
| Balance at the end of the period                         | 205,528,279                      | 226,924,906   |
| <b>Fair value<sup>(2)</sup></b>                          | 190,470,000                      | 222,040,000   |

Notes:

(1) For the six months ended December 31, 2016:  
Changes in the net book value are mainly due to capital expenditures offset by depreciation.

For the six months ended June 30, 2017:  
Changes in the net book value are mainly due to increase by the following acquisitions or other capital expenditures and decrease by the following disposition or depreciation.

|               |   | Increase (decrease)<br>in net book value<br>(Thousands of yen) |
|---------------|---|--|
| Acquisitions: | Shibuya Sakuragaoka Square (additional acquisition) | 12,545,105   |
|               | Sasazuka Center Bldg.                               | 9,124,855  |
|               | Sendai Capital Tower                                | 5,622,900  |
|               | USC Bldg.   | 5,197,310  |
| Disposition:  | Midosuji MID Bldg.                                  | (8,351,018)  |
|               | MID Midosujikawaramachi Bldg.                       | (1,905,668)  |

(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, 2016 and June 30, 2017, please refer to “Note 4 – Rental business revenue and expenses.”

## Note 13 – Per unit information

The net asset value per unit as of December 31, 2016 and June 30, 2017 was ¥440,635 and ¥430,427, respectively. Net income per unit for the six months ended December 31, 2016 and June 30, 2017 was ¥7,431 and ¥8,817, respectively.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Investment Corporation has no potentially dilutive units.

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

(Thousands of yen)

|  | For the six months ended |               |
|--|--------------------------|---------------|
|  | December 31, 2016        | June 30, 2017 |
| Net income   | 1,976,910                | 2,527,032     |
| Effect of dilutive units   | —                        | —             |
| Net income attributable to unitholders                               | 1,976,910                | 2,527,032     |
| Adjusted weighted-average number of units outstanding for the period | 266,025 units            | 286,596 units |

**Note 14 – Subsequent events**

None

**Note 15 – Investment securities**

Notes relating to investment securities are omitted as the investment securities (equity interests in silent partnership amounting to ¥5,085,027 thousand in book value) are not traded in markets, and it is difficult to estimate reasonable fair value.

**Note 16 – Omission of disclosure**

Note relating to tax effect accounting, retirement benefits and asset retirement obligations are omitted as immaterial.

## Note 17 – Changes in unit issued and outstanding

For the six months ended June 30, 2017, the Investment Corporation raised funds totaling of ¥9,905 million with issuance of 29,100 investment units through public offering in February 2017 and 1,500 investment units through allocation of investment units to a third party in March 2017. 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 |

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 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 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 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.

#### **4. Changes in officers**

##### **(1) Officers of the Investment Corporation**

Executive officer:

Katsura Matsuo resigned and Katsuhiro Tsuchiya was newly appointed on June 2, 2017.

##### **(2) Officers of the Asset Manager**

President & CEO & Representative Director:

Katsura Matsuo resigned and Toyota Watanabe was newly appointed on June 1, 2017.

Corporate Auditor (part time) :

Hiroshi Sugizaki resigned and Shuji Isono was newly appointed on June 1, 2017.

## 5. Additional information

### (1) Composition of assets

| Classification of assets                         | Investment category | Investment area                  | As of December 31, 2016                   |                                    | As of June 30, 2017                       |                                    |
|--|---------------------|----------------------------------|---|------------------------------------|---|------------------------------------|
|  |                     |                                  | Total of net book value (Millions of yen) | Ratio to total assets (Note 1) (%) | Total of net book value (Millions of yen) | Ratio to total assets (Note 1) (%) |
| Trust beneficial interest in real property       | Office Building     | Three major metropolitan areas   |   |                                    |   |                                    |
|  |                     | Tokyo metropolitan area (Note 2) | 55,396                                    | 24.5                               | 82,165                                    | 33.0                               |
|  |                     | Osaka metropolitan area (Note 2) | 121,454                                   | 53.8                               | 110,624                                   | 44.5                               |
|  |                     | Other areas                      | —   | —                                  | 5,607                                     | 2.3                                |
|  | Other               | Three major metropolitan areas   |   |                                    |   |                                    |
|  |                     | Tokyo metropolitan area (Note 2) | 24,067                                    | 10.7                               | 23,954                                    | 9.6                                |
|  |                     | Osaka metropolitan area (Note 2) | 2,431                                     | 1.1                                | 2,413                                     | 1.0                                |
|  |                     | Other areas                      | 2,178                                     | 1.0                                | 2,159                                     | 0.9                                |
| Sub-total  |                     |                                  | 205,528                                   | 91.0                               | 226,924                                   | 91.2                               |
| Investments in Tokumei Kumiai agreement (Note 3) |                     |                                  | 5,085                                     | 2.3                                | 5,085                                     | 2.0                                |
| Bank deposits and other assets                   |                     |                                  | 15,303                                    | 6.8                                | 16,811                                    | 6.8                                |
| Total assets                                     |                     |                                  | 225,916                                   | 100.0                              | 248,821                                   | 100.0                              |
| Total liabilities                                |                     |                                  | 108,696                                   | 48.1                               | 121,146                                   | 48.7                               |
| Total net assets                                 |                     |                                  | 117,220                                   | 51.9                               | 127,675                                   | 51.3                               |

Note 1 “Ratio to total assets” is calculated by rounding to the nearest first decimal place.

Note 2 The Tokyo metropolitan area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the Osaka metropolitan area consists of Osaka, Kyoto and Hyogo prefectures.

Note 3 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 4 Construction in progress in trust is included in “Bank deposits and other assets”.

### (2) Investment assets

#### (a) Investment securities

The investment in Tokumei Kumiai (“TK”) agreement as of June 30, 2017 was as follows:

| Name  | Classification of assets                | Quantity | Net book value (Millions of yen) |        | Fair value (Note2) (Millions of yen) |        | Ratio to total assets (Note 3) (%) |
|---|---|----------|----------------------------------|--------|--------------------------------------|--------|------------------------------------|
|   |   |          | Per unit                         | Amount | Per unit                             | Amount |                                    |
| Equity interest of TK agreement managed by R40 Godo Kaisha (Note 1) | Investments in Tokumei Kumiai agreement | —        | —                                | 5,085  | —                                    | 5,085  | 2.0                                |

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 TK agreement.

Note 3 “Ratio to total assets” is calculated by rounding to the nearest first decimal place.

*(b) Properties in trust*

The investment properties in the form of trust beneficiary interests held by the Investment Corporation as of June 30, 2017 were as follows:

| Investment category | Investment area                |                         | Property Number         | Name of property                                   | Location<br>(Note 1)                                 | Form of ownership         | Net book value<br>(Note 2)<br>(Millions of yen) | Appraisal value at end of period<br>(Note 3)<br>(Millions of yen) | Leasable area<br>(Note 4)<br>(m <sup>2</sup> ) | Leased area<br>(Note 5)<br>(m <sup>2</sup> ) | Occupancy ratio<br>(Note 6)<br>(%) |
|---------------------|--------------------------------|-------------------------|-------------------------|--|--|---------------------------|---|---|--|--|------------------------------------|
| Office Building     | Three major metropolitan areas | Tokyo metropolitan area | OT-1                    | Sumitomo Fudosan Ueno Bldg. No.6                   | 5-24-8, Higashiueno, Taito-ku, Tokyo                 | Trust beneficial interest | 7,678   | 8,230   | 6,858.16                                       | 6,858.16                                     | 100.0                              |
|                     |                                |                         | OT-2                    | G-Square Shibuya Dogenzaka                         | 2-11-1 Dogenzaka, Shibuya-ku, Tokyo                  | Trust beneficial interest | 12,275  | 14,500  | 5,011.74                                       | 5,011.74                                     | 100.0                              |
|                     |                                |                         | OT-3                    | Shibuya Sakuragaoka Square (Note 7)                | 31-15, Sakuragaokacho, Shibuya-ku, Tokyo             | Trust beneficial interest | 17,558  | 19,600  | 6,379.66                                       | 6,379.66                                     | 100.0                              |
|                     |                                |                         | OT-4                    | Yokohama Creation Square                           | 5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa   | Trust beneficial interest | 7,095   | 7,800   | 12,728.59                                      | 11,215.20                                    | 88.1                               |
|                     |                                |                         | OT-5                    | Cube Kawasaki                                      | 1-14 Nishin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa | Trust beneficial interest | 20,440  | 22,200  | 24,462.29                                      | 22,286.19                                    | 91.1                               |
|                     |                                |                         | OT-6                    | Higashi-Nihombashi Green Bldg.                     | 2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo             | Trust beneficial interest | 2,815   | 3,030   | 3,254.77                                       | 3,254.77                                     | 100.0                              |
|                     |                                |                         | OT-7                    | Sasazuka Center Bldg.                              | 2-1-6, Sasazuka, Shibuya-ku, Tokyo                   | Trust beneficial interest | 9,111   | 9,290   | 8,221.34                                       | 6,033.78                                     | 73.4                               |
|                     |                                |                         | OT-8                    | USC Bldg. (Note 8)                                 | 4-11-38, Toyo, Koto-ku, Tokyo                        | Trust beneficial interest | 5,190   | 5,230   | 5,781.98                                       | 5,781.98                                     | 100.0                              |
|                     | Osaka metropolitan area        | OO-1                    | Twin 21                 | 2-1-61 Shiromi, Chuo-ku, Osaka-shi                 | Trust beneficial interest                            | 66,248                    | 51,700  | 82,304.84   | 80,818.56                                      | 98.2   |                                    |
|                     |                                | OO-2                    | Matsushita IMP Bldg.    | 1-3-7 Shiromi, Chuo-ku, Osaka-shi                  | Trust beneficial interest                            | 22,525                    | 21,200  | 37,406.94   | 36,758.72                                      | 98.3   |                                    |
|                     |                                | OO-4                    | MID REIT Kyobashi Bldg. | 1-5-14 Higashinoda-machi, Miyakojima-ku, Osaka-shi | Trust beneficial interest                            | 2,091                     | 1,440   | 4,833.88  | 4,833.88                                       | 100.0  |                                    |
|                     |                                | OO-5                    | MID Imabashi Bldg.      | 2-3-16 Imabashi, Chuo-ku, Osaka-shi                | Trust beneficial interest                            | 3,119                     | 2,260   | 4,277.64  | 4,073.82                                       | 95.2   |                                    |
|                     |                                | OO-7                    | Kitahama MID Bldg.      | 1-6-7 Doshomachi, Chuo-ku, Osaka-shi               | Trust beneficial interest                            | 10,402                    | 9,050   | 10,189.49   | 10,057.37                                      | 98.7   |                                    |
|                     |                                | OO-8                    | MID Nishihommachi Bldg. | 1-6-1 Awaza, Nishi-ku, Osaka-shi                   | Trust beneficial interest                            | 3,375                     | 2,180   | 3,877.38  | 3,760.28                                       | 97.0   |                                    |
|                     |                                | OO-9                    | Higobashi MID Bldg.     | 1-5-16 Edobori, Nishi-ku, Osaka-shi                | Trust beneficial interest                            | 2,861                     | 3,520   | 4,655.57  | 4,493.17                                       | 96.5   |                                    |
|                     | Other area                     | OR-1                    | Sendai Capital Tower    | 4-10-3, Chuo, Aoba-ku, Sendai-shi, Miyagi          | Trust beneficial interest                            | 5,607                     | 6,350   | 12,999.51   | 12,844.70                                      | 98.8   |                                    |
|                     | Sub total                      |                         |                         |  |  |                           |   | 198,397   | 187,580  | 233,243.78                                   | 224,461.98                         |
| Other               | Three major metropolitan areas | Tokyo metropolitan area | RT-1                    | AEON MALL Tsudanuma                                | 1-23-1 Tsudanuma, Narashino-shi, Chiba               | Trust beneficial interest | 23,954  | 27,800  | 101,210.44                                     | 101,210.44                                   | 100.0                              |
|                     |                                | Osaka metropolitan area | RO-1                    | Konami Sports Club Kyobashi                        | 1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi   | Trust beneficial interest | 2,413   | 3,300   | 9,586.26                                       | 9,586.26                                     | 100.0                              |
|                     | Other area                     | HR-1                    | Dormy Inn Hakata Gion   | 1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka | Trust beneficial interest                            | 2,159                     | 3,360   | 5,554.91  | 5,554.91                                       | 100.0  |                                    |
|                     | Sub total                      |                         |                         |  |  |                           |   | 28,527  | 34,460   | 116,351.61                                   | 116,351.61                         |
| Total               |                                |                         |                         |  |  |                           | 226,924   | 222,040   | 349,595.39                                     | 340,813.59                                   | 97.5                               |

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

Note 2 "Net book value" is calculated by subtracting accumulated depreciation from the original acquisition cost (including relating expenses) of each property.

Note 3 "Appraisal value at end of period" shows the value as of June 30, 2017 appraised by the real estate appraiser (Morii Appraisal & Investment Consulting, Inc., 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 4 "Leasable area" refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as floor space for common area of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leasable as of June 30, 2017. For quasi co-owned properties, the leasable area is calculated by multiplying total area of the property by quasi co-ownership ratio of the trust beneficiary interest.

Note 5 "Leased area" refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the Konami Sports Club Kyobashi and the AEON MALL Tsudanuma, in which entire buildings are leased, as well as floor space for common area of the MID REIT Kyobashi Bldg. and Dormy Inn Hakata Gion) that is leased under lease agreements valid as of June 30, 2017. For quasi co-owned properties, the leased area is calculated by multiplying total area of the property by quasi co-ownership ratio of the trust beneficiary interest.

Note 6 "Occupancy ratio" is presented as percentage figures, which are obtained by dividing the leased area as of June 30, 2017 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 7 The Investment Corporation had acquired whole of Shibuya Sakuragaoka Square through an additional acquisition of the trust beneficial interest in the buildings and remaining 60% of land with leasehold interest on February 1, 2017.

Note 8 The Investment Corporation owns 50/108 of the trust beneficial interest in USC Bldg.  
Note 9 Amounts less than one million yen are rounded down.

*(c) Operation results of properties*

Operating results of each property held by the Investment Corporation as of June 30, 2017 were as follows:

| Investment category | Investment area                | Property Number                        | Name of property        | For the six months ended         |                              |  |   |                            |                              |  |   |           |
|---------------------|--------------------------------|--|-------------------------|----------------------------------|------------------------------|--|---|----------------------------|------------------------------|--|---|-----------|
|                     |                                |  |                         | December 31, 2016                |                              |  |   | June 30, 2017              |                              |  |   |           |
|                     |                                |  |                         | 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                | OT-1                    | Sumitomo Fudosan Ueno Bldg. No.6 | 2                            | 100.0  | (Note 6)  | (Note 6)                   | 2                            | 100.0  | (Note 6)  | (Note 6)  |
|                     |                                |  | OT-2                    | G-Square Shibuya Dogenzaka       | 8                            | 83.4   | 236,590   | 3.4                        | 8                            | 100.0  | 257,146   | 3.5       |
|                     |                                |  | OT-3                    | Shibuya Sakuragaoka Square       | 1                            | 100.0  | 90,633  | 1.3                        | 4                            | 100.0  | 322,596   | 4.4       |
|                     |                                |  | OT-4                    | Yokohama Creation Square         | 39                           | 94.2   | 340,604   | 4.9                        | 38                           | 88.1   | 314,781   | 4.3       |
|                     |                                |  | OT-5                    | Cube Kawasaki                    | 9                            | 91.1   | 614,324   | 8.9                        | 9                            | 91.1   | 619,114   | 8.4       |
|                     |                                |  | OT-6                    | Higashi-Nihombashi Green Bldg.   | 8                            | 100.0  | 88,644  | 1.3                        | 7                            | 100.0  | 86,209  | 1.2       |
|                     |                                |  | OT-7                    | Sasazuka Center Bldg.            | —                            | —  | —   | —                          | 7                            | 73.4   | 128,669   | 1.7       |
|                     |                                |  | OT-8                    | USC Bldg. (Note 7)               | —                            | —  | —   | —                          | 8                            | 100.0  | 71,372  | 1.0       |
|                     |                                |  | Osaka metropolitan area | OO-1                             | Twin 21                      | 106  | 97.7  | 2,303,927                  | 33.4                         | 106  | 98.2  | 2,280,197 |
|                     | OO-2                           | Matsushita IMP Bldg.                   |                         | 60                               | 98.9                         | 1,058,809  | 15.4  | 58                         | 98.3                         | 1,048,165  | 14.2  |           |
|                     | OO-3                           | Midosuji MID Bldg. (Note 8)            |                         | 7                                | 94.7                         | 278,853  | 4.0   | —                          | —                            | 129,442  | 1.8   |           |
|                     | OO-4                           | MID REIT Kyobashi Bldg.                |                         | 1                                | 100.0                        | (Note 6)   | (Note 6)  | 1                          | 100.0                        | (Note 6)   | (Note 6)  |           |
|                     | OO-5                           | MID Imabashi Bldg.                     |                         | 19                               | 94.2                         | 86,050   | 1.2   | 19                         | 95.2                         | 92,519   | 1.3   |           |
|                     | OO-6                           | MID Midosujikawaramachi Bldg. (Note 8) |                         | 13                               | 100.0                        | 62,994   | 0.9   | —                          | —                            | 31,731   | 0.4   |           |
|                     | OO-7                           | Kitahama MID Bldg.                     |                         | 10                               | 98.7                         | 323,134  | 4.7   | 10                         | 98.7                         | 316,562  | 4.3   |           |
|                     | OO-8                           | MID Nishihommachi Bldg.                |                         | 16                               | 93.7                         | 85,379   | 1.2   | 17                         | 97.0                         | 91,304   | 1.2   |           |
|                     | OO-9                           | Higobashi MID Bldg.                    |                         | 10                               | 91.5                         | 116,236  | 1.7   | 11                         | 96.5                         | 112,175  | 1.5   |           |
| Other area          | OR-1                           | Sendai Capital Tower                   | —                       | —                                | —                            | —  | 85  | 98.8                       | 249,099                      | 3.4  |   |           |
| Sub total           |                                |  |                         | 309                              | 96.4                         | —  | —   | 390                        | 96.2                         | —  | —   |           |
| Other               | Three major metropolitan areas | Tokyo metropolitan area                | RT-1                    | AEON MALL Tsudanuma              | 1                            | 100.0  | 726,013   | 10.5                       | 1                            | 100.0  | 726,000   | 9.9       |
|                     |                                | Osaka metropolitan area                | RO-1                    | Konami Sports Club Kyobashi      | 1                            | 100.0  | (Note 6)  | (Note 6)                   | 1                            | 100.0  | (Note 6)  | (Note 6)  |
|                     | Other area                     | HR-1                                   | 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 (Note 6)      |                                |  |                         | 313                              | 97.7                         | 6,897,186  | 100.0   | 394                        | 97.5                         | 7,360,963  | 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 been 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 as of December 31, 2016 by the leasable area. 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 Amounts less than one thousand yen are rounded down.

Note 4 Total of rental revenues includes Sumitomo Fudosan Ueno Bldg. No.6, 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 owns 50/108 of the trust beneficial interest in USC Bldg.

Note 8 Midosuji MID Bldg. and MID Midosujikawaramachi Bldg. were sold on March 27, 2017.