

March 15, 2019

To all concerned parties:

Investment Corporation

MCUBS MidCity Investment Corporation

Representative: Katsuhiko Tsuchiya, Executive Director

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Asset Management Company

MCUBS MidCity Inc.

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Notice Regarding Acquisition of a Trust Beneficiary Interest in Domestic Real Estate
(M-City Edogawabashi Bldg.)

MCUBS MidCity Investment Corporation (hereafter “MCUBS MidCity”) announces that, its asset management company, MCUBS MidCity Inc. (hereafter the “Asset Management Company”), decided today to acquire an asset, as detailed below.

1. Overview of Acquisition

| | |
|--|---|
| Property Name | M-City Edogawabashi Bldg. (Note 1, 2) |
| Type of Specified Asset | Trust beneficiary interest in real estate |
| Location | 1-44-10, Sekiguchi, Bunkyo-ku, Tokyo |
| Planned Acquisition Price (A) | ¥4,070 million |
| Appraisal Value (B) | ¥4,240 million (Appraisal Date: January 31, 2019) |
| Difference between Planned Acquisition Price and Appraisal Value (B-A) | + ¥170 million |
| Planned Agreement Date | March 18, 2019 |
| Planned Acquisition Date | March 19, 2019 |
| Seller | A domestic non-financial corporation (Note 2) |
| Acquisition Funds | Cash on hand |
| Payment | Full payment at closing |

Notes:

1. “Property Name” shall be used by the Asset Management Company following the acquisition.
2. Not disclosed as the seller has not agreed to the disclosure.

2. Reason for Acquisition

MCUBS MidCity is committed to managing assets from a medium- to long-term perspective to assure stable revenues and steady growth of assets under management and emphasizes investment in the three major metropolitan areas (the Tokyo Metropolitan Area, the Osaka Metropolitan Area and the Nagoya Metropolitan Area ^(Note)).

MCUBS MidCity made the decision to acquire the asset based on its potential contribution to improve the portfolio quality, which is obtainable by increasing the asset size and reducing risk through diversified investment. In addition, since assumed NOI Yield after Depreciation of M-City Edogawabashi Bldg. (3.5%) exceeds the level of the average NOI Yield after Depreciation of the portfolio for the fiscal period ended December 31, 2018 (3.3%), MCUBS MidCity has considered that this acquisition would contribute to reinforce earnings capacity of the portfolio and to enhance the unitholder value, which is represented by distribution per unit over a medium-to long-term.

For acquisition of the asset, MCUBS MidCity evaluated the following: .

Location Characteristics

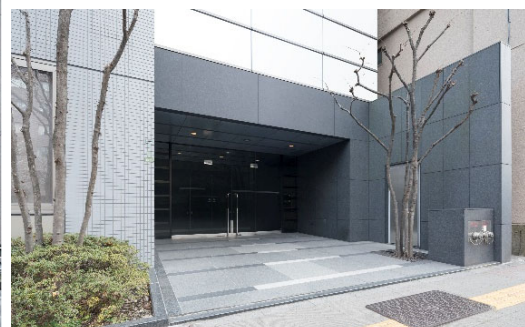
- Three-minutes' walk from Edogawabashi Station on the Tokyo Metro Yurakucho Line
- High visibility as the property is standing on a corner lot along Shin-Mejiro-Dori
- Meets the demand from tenants seeking good traffic accessibility at affordable rent level
- The head office of the printing companies and universities are concentrated, and high demand from branches of such companies can be expected.

Property Characteristics

- High-grade exterior and the entrance hall
- Efficient and flexible as floors are regular-shaped and pillars-free
- Ceiling height 2,600 mm, OA floor 75 mm, individual air conditioning, 32 mechanical parking spaces available

Notes:

The "Tokyo metropolitan area" represents Tokyo, Kanagawa, Chiba and Saitama; the "Osaka metropolitan area" represents Osaka, Kyoto and Hyogo; and the "Nagoya metropolitan area" represents Aichi.



3. Property Summary

| | | | | | |
|---------------------------------------|--|---------------------------------------|--|---------------------------------------|-------------------------|
| Type of Specified Asset | Trust beneficiary interest in real estate | Planned Acquisition Price | ¥4,070,000 thousand | | |
| Trustee | Mitsubishi UFJ Trust and Banking Corporation | Planned Acquisition Date | March 19, 2019 | | |
| Trust Period | March 19, 2019 – December 31, 2025 | Appraisal Value | ¥4,240,000 thousand | | |
| Location (Indicated for Residence) | 1-44-10, Sekiguchi, Bunkyo-ku, Tokyo | Appraiser | JLL Morii Valuation & Advisory K.K. | | |
| Land (Note1) | Site Area | 911.25 m ² | Architect | Institute of New Architecture Inc. | |
| | Zoning | Commercial zone, Semi-industrial zone | Builder | Obayashi Corporation | |
| | Type of Ownership | Fee simple | Agency Authorizing Building Construction | Building official of Bunkyo-ku, Tokyo | |
| | Floor-Area Ratio/ Building-to-Land Ratio (Note 2) | 475.98% / 95.19% | PML (Note 1) | 4.8% | |
| Building (Note1) | Structure/ Floors | S/SRC with flat roof, 8F | Overview of Leasing (Note3) | Rentable Area | 3,472.70 m ² |
| | Total Floor Area | 4,487.41 m ² | | Rental Area | 3,472.70 m ² |
| | Type of Ownership | Fee simple | | Occupancy Rate | 100.0% |
| | Use | Office, Retail | | Total Tenants | 2 |
| | Completion Date | September 30, 1992 | | Total Annual Rent | ¥183,861 thousand |
| Property Management Consignee | Jones Lang LaSalle K.K. (planned) | Security Deposit / Guarantee, Etc. | ¥119,168 thousand | | |
| Building Management Consignee | Jones Lang LaSalle K.K. (planned) | Mortgage | None | | |
| Special Notations | None | | | | |

Notes:

1. "Land (Site Area)," "Building (Structure/Floors)," "Building (Total Floor Area)," "Building (Use)," and "Building (Completion Date)" are based on what is indicated in the registry. "Land (Zoning)" represents types of zoning stipulated in Article 8 paragraph 1 item 1 of the City Planning Act. "Land (Floor-Area Ratio)" represents the ratio of the total floor area of a building to the site area, as stipulated in Article 52 of the Building Standards Act, and indicates the figure applicable to individual trust property in accordance with the zoning, etc. (known as Base volume ratio). "Land (Building-to-Land Ratio)" represents the ratio of the building area to the site area, as stipulated in Article 53 of the Building Standards Act, and indicates the figure applicable for each individual real estate in trust in accordance with the zoning, etc. (known as Standard Building Coverage Ratio). "PML (Probable Maximum Loss)" is defined as "probable loss for a building with a recurrence interval of 475 years" based on the risk curve showing the relationship between loss and annual exceedance probability as calculated by Engineering and Risk Services Corporation and OYO RMS Corporation. The probable loss for a building with a recurrence interval of 475 years represents "loss of 10% of exceedance probability over 50 years" under the BELCA's guidelines.
2. The entire property spans both commercial and semi-industrial zones, for which the mandated floor area ratios differ, namely, they are 500% and 400%, respectively. Taking this into account, floor area ratio for the entire property is determined on a weighted average basis that reflects the proportions of the two parts. In addition, the building to land ratio for commercial zone is 80%, and semi-industrial zone is 60%. However, as the property is fire-resistant in a fire zone, increased ratios of 100% and 70% apply respectively. Taking this into account, building to land ratio for the entire property is determined on a weighted average basis that reflects the proportions of the two parts.
3. "Overview of Leasing" indicates the content of the lease agreement effective as of the end of January 2019, based on the figures and information provided by the seller of the asset. "Overview of Leasing (Rentable Area)" indicates the rentable area of the building of the real estate in trust for the asset (or total rentable area of respective buildings in the case where there are multiple buildings for the property; limited to the rental spaces, and not including the areas of warehouses, halls and parking lots, etc. However, it includes the area of the common area and parking lot area etc, if such area is leased.). "Overview of Leasing (Rental Area)" indicates the total area presented in the lease agreements, etc. with end tenants that are effective as of the end of January 2019 (limited to the rental spaces, and not including the areas of warehouses, halls and parking lots, etc. However, it includes the area of the common area and parking lot area etc., if such area is leased). "Overview of Leasing (Total Tenants)" does not include the number of the end tenants that leases warehouses, halls, and parking lots, etc. only in the calculation. "Overview of Leasing (Total Annual Rent)" and "Overview of Leasing (Security Deposit/Guarantee, Etc.," indicate the total amount of the monthly rent, monthly common area charge, parking lot usage fee, warehouse rent and facility usage fee, etc. (excluding utilities revenue) stated in the lease agreements that are effective as of the end of January 2019, multiplied by 12, and the balance of security deposits and guarantees (including those for the rental spaces, parking lots and warehouse lots, etc.), with amounts less than thousand yen rounded down, respectively.

4. Overview of Seller

While the seller is a domestic non-financial corporation, its name and overview, etc. are not disclosed because the seller's approval has not been obtained. There is no capital, personal or transactional ties to be stated between each buyer and MCUBS MidCity or the Asset Management Company. There is no capital, personal or transactional ties to be specified between the related parties/related companies of MCUBS MidCity or the Asset Management Company and the related parties/related companies of each buyer. Any of the buyer or the related parties/related companies of the buyer do not fall under the related party of MCUBS MidCity or the Asset Management Company.

5. Status of the Property Owner

The seller has no particular vested interest with MCUBS MidCity or the Asset Management Company.

6. Overview of Brokerage

Not applicable.



7. Settlement Method, etc.

MCUBS MidCity will cover the cost of the acquisition with funds procured through a third-party allotment and part of the funds from disposition of 45% quasi co-ownership of trust beneficiary interests in Matsushita IMP Bldg.

For details on the third-party allotment and disposition of 45% quasi co-ownership of trust beneficiary interests in Matsushita IMP Bldg., please refer to “Notice Concerning Determination of Number of New Investment Units to be Issued through Third-Party Allotment” dated March 7, 2018 and “Notice Regarding Completion of Disposition of Trust Beneficiary Interests in Domestic Real Estates (Matsushita IMP Bldg. (45% quasi co-ownership))” dated March 8, 2019, respectively.

With regard to the settlement method, MCUBS MidCity plans to settle the acquisition by making a single payment of the entire amount of the acquisition price upon delivery of the property.

8. Schedule for Acquisition

| | |
|----------------------------|----------------|
| Decision to Acquire Date | March 15, 2019 |
| Agreement Date (planned) | March 18, 2019 |
| Acquisition Date (planned) | March 19, 2019 |
| Payment Date (planned) | March 19, 2019 |

9. Outlook

There will not be major impact on the business results for the fiscal period ending June 30, 2019 (the 26th fiscal period: January 1, 2019 to June 30, 2019) and December 31, 2019 (the 27th fiscal period: July 1, 2019 to December 31, 2019) due to this acquisition and the outlook of the business results will remain unchanged.

10. Overview of Appraisal Report

| | |
|-----------------------|-------------------------------------|
| Appraiser | JLL Morii Valuation & Advisory K.K. |
| Final Appraisal Value | ¥4,240,000 thousand |
| Appraisal Date | January 31, 2019 |

| Item | Details (thousand yen) | Overview, etc. |
|--|---------------------------|---|
| Revenue price | 4,240,000 | - |
| Value Calculated Using Direct Capitalization (DC) Method | 4,460,000 | - |
| Operating revenues | 239,475 | - |
| Potential gross revenue | 251,509 | - |
| Vacancy loss, etc. | 12,034 | - |
| Operating expenses | 52,796 | - |
| Maintenance expenses | 9,657 | Assessed based on the level of expenses of similar properties |
| Utility expenses | 14,489 | Assessed based on the level of expenses of similar properties |
| Repair expenses | 6,287 | Assessed as 30% equivalent of leveled amount with reference to the estimate on the engineering report |
| PM fees | 3,350 | Assessed based on the level of fees of similar properties |
| Tenant solicitation expenses, etc. | 2,778 | - |
| Real estate taxes | 15,026 | Assessed based on actual results, in consideration of volatility |
| Insurance premiums | 1,000 | Assessed based on the level of premiums of similar properties |
| Other expenses | 186,679 | - |
| Net operating income (NOI) | 1,774 | - |
| Gain on management of income from lump-sum payment | 14,670 | - |
| Capital expenditures | 173,783 | Assessed as 70% equivalent of leveled amount with reference to the estimate on the engineering report |
| Net Cash Flows | 1,027,474 | - |
| Overall Capitalization Rate | 3.9% | - |
| Value Calculated Using Discount Cash Flow (DCF) Method | 4,150,000 | - |
| Discount Rate | 3.7% | - |
| Terminal Capitalization Rate | 4.1% | - |
| Cost method value | 3,020,000 | - |
| Ratio of Land Price | 87.3% | - |
| Ratio of Building Price | 12.7% | - |

| | |
|--|--|
| Other items considered by real estate appraisal agent upon appraisal | Since the cost method value does not fully incorporate the additional incremental value realized by the real estate being properly and efficiently managed, it is determined that the more persuasive price that reflects the actual market conditions is the revenue price. |
|--|--|

<Reference>

Assumed NOI and depreciation of M-City Edogawabashi Bldg.

| | |
|------------------------------------|-----------------------|
| Assumed NOI ^(Note 1, 2) | ¥156 million per year |
| NOI Yield | 3.9% |
| Depreciation ^(Note 2) | ¥14 million per year |
| NOI Yield after Depreciation | 3.5% |

Notes:

1. Assumed NOI (Net Operating Income) is the estimated amount of property leasing revenue, less property leasing expenses, assuming the burden of property taxes and city planning taxes for the full year based on the lease agreement terms and conditions, etc. on the planned acquisition date.
2. MCUBS MidCity's estimated figures for time of steady stable occupancy.

The figures above are not the forecast figures for the current period or subsequent periods.

Property Portfolio after Acquisition

| Type | Region | Property Name | Acquisition Price (Planned) (Millions of Yen) | Investment Ratio | Acquisition Date (Planned) |
|--|--------------------------------|--|---|---------------------|-------------------------------|
| Office Building | | | | | |
| | Tokyo Metropolitan Area | Sumitomo Fudosan Ueno Bldg. No. 6 | 7,460 | 2.9% | May, 2015 |
| | | G-Square Shibuya Dogenzaka | 12,220 | 4.7% | August, 2015 |
| | | Shibuya Sakuragaoka Square | 17,130 | 6.6% | August, 2015, etc. |
| | | Yokohama Creation Square | 7,080 | 2.7% | August, 2015 |
| | | Cube Kawasaki | 20,050 | 7.7% | August, 2015 |
| | | Higashi-Nihombashi Green Bldg. | 2,705 | 1.0% | December, 2015 |
| | | Sasazuka Center Bldg. | 8,700 | 3.3% | March, 2017 |
| | | USC Bldg. | 10,800 | 4.1% | April, 2017, etc. |
| | | Yoshiyasu Kanda Bldg. | 4,000 | 1.5% | February, 2018 |
| | | TOYOTA MOBILITY SERVICE Bldg. | 9,200 | 3.5% | March, 2018 |
| | | M-City Akasaka 1-chome Bldg. | 4,205 | 1.6% | March, 2018 |
| | | Yokohama i-land Tower | 22,100 | 8.5% | September, 2018 |
| | | M-City Edogawabashi Bldg. | 4,070 | 1.6% | March, 2019 |
| | Osaka Metropolitan Area | Twin 21 ^(Note) | 68,700 | 26.4% | August, 2006 |
| | | MID Imabashi Bldg. | 3,270 | 1.3% | April, 2007 |
| | | Kitahama MID Bldg. | 10,800 | 4.1% | April, 2008 |
| | | MID Nishihonmachi Bldg. | 3,550 | 1.4% | October, 2008 |
| | | Higobashi MID Bldg. | 3,000 | 1.2% | June, 2013 |
| | Other | Sendai Capital Tower | 5,500 | 2.1% | February, 2017 |
| Subtotal (19 properties) | | | 224,540 | 86.2% | |
| Other than Office Building | | | | | |
| | Tokyo Metropolitan Area | AEON MALL Tsudanuma | 26,100 | 10.0% | August, 2006 |
| | Osaka Metropolitan Area | Konami Sports Club Kyobashi | 2,780 | 1.1% | August, 2006 |
| | Other | Dormy Inn Hakata Gion | 2,280 | 0.9% | September, 2013 |
| Subtotal (3 properties) | | | 31,160 | 12.0% | |
| Silent Partnership Interest for Office Building | | | | | |
| | Nagoya Metropolitan Area | Nagoya Lucent Tower (Silent partnership interest) | 4,919 | 1.9% | August, 2015 |
| | Subtotal (1 asset) | | | 4,919 | 1.9% |
| Total (23 properties) | | | 260,619 | 100.0% | |

Notes:

Data for Twin 21 includes the trust beneficiary interest in Twin 21 and Twin 21 (partial ownership of land with leasehold interest), collectively.