Translation

MCUBS MIDCITY INVESTMENT CORPORATION
SUMMARY OF FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

August 28, 2020

Name of issuer:	MUCBS MidCity Investment Corporation ("the Investment Corporation")
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	3227
Website:	https://www.midcity-reit.com/
Representative of the Investment Corporation:	Katsuhiro Tsuchiya, Executive Director
Name of asset manager:	Mitsubishi Corp.- UBS Realty Inc.
Representative of the asset manager:	Katsuji Okamoto, President & CEO
Contact:	Katsura Matsuo, Head of Office Division Tel: (03)5293-4150
Scheduled date for filing of securities report:	September 24, 2020
Scheduled date for distributions payment:	September 30, 2020
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, 2020 (January 1, 2020 to June 30, 2020)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	9,061	5.7	4,276	7.4	3,660	8.0	3,657	7.9
December 31, 2019	8,569	(16.6)	3,983	(29.4)	3,389	(32.1)	3,388	(32.1)

	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
For the six months ended	Yen	%	%	%
June 30, 2020	2,049	2.3	1.2	40.4
December 31, 2019	2,023	2.3	1.2	39.6

(2) Distributions

	Distributions (excluding distributions in excess of profit)		Distributions in excess of profit		Payout ratio	Ratio of distributions to net assets
	Per unit	Total	Per unit	Total		
For the six months ended	Yen	Millions of yen	Yen	Millions of yen	%	%
June 30, 2020	2,049	3,655	—	—	100.0	2.3
December 31, 2019	1,955	3,487	—	—	102.9	2.2

Note 1: Total distributions for the six months ended December 31, 2019 consist of unappropriated retained earnings at the end of period after reversal of reserve for reduction entry of property amounting to ¥98 million.

Note 2: Payout ratio for the six months ended June 30, 2020 is calculated by following formula.

Payout ratio = Distribution per unit ÷ net income per unit × 100

Payout ratio for the six months ended December 31, 2019 is calculated by following formula because new investment units were issued.

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
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2020	301,502	156,196	51.8	87,548
December 31, 2019	301,075	156,027	51.8	87,453

(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, 2020	6,070	(1,081)	(3,519)	15,906
December 31, 2019	3,585	(27,892)	21,544	14,436

2. Outlook for the final fiscal period ending February 28,2021 (July 1, 2020 to February 28, 2021)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the eight months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2021	12,233	35.0	5,322	24.5	4,380	19.7	4,379	19.8

	Net income per unit	Payment upon the merger per unit
For the eight months ending	Yen	Yen
February 28, 2021	2,454	3,014

Note : As described in “1. Results of Operations, (2) Outlook of Next Fiscal Period, B. Outlook for Business, i. Important Matters Subsequent to the End of the Fiscal Period” on page 5-8, the Investment Corporation and Japan Retail Fund Investment Corporation (hereinafter referred to as "JRF" and collectively referred to as “Both Investment Corporations” together with the Investment Corporation) decided at the board of directors meeting of the Both Investment Corporations held on August 28, 2020 to conduct an absorption-type merger (“Merger”) effective from March 1, 2021, whereby JRF is the surviving corporation and the Investment Corporation is the dissolving corporation, and concluded a merger agreement as of August 28, 2020. In relation to this, the Investment Corporation intends to submit a proposal to its general meeting of unitholders, which is scheduled to be held on October 22, 2020, regarding an amendment of its articles of incorporation to change the ends of its fiscal period end dates from the last days of June and December to the last days of February and August, respectively. Subject to the approval of the proposal of such amendment of the articles of incorporation is approved at the general meeting of unitholders, the Investment Corporation’s final fiscal period prior to the effective date of the Merger is scheduled to be the eight-month period from July 1, 2020 to February 28, 2021.

Instead of cash distributions of the Investment Corporation for the fiscal period ended February 28, 2021 (prior to the effective date of the Merger), JRF will distribute payment upon the Merger because the Investment Corporation will be resolved by the Merger. Please refer to “1. Results of Operations, (2) Outlook of Next Fiscal Period, B. Outlook for Business, i. Important Matters Subsequent to the End of the Fiscal Period, (ⅳ)Payment upon the Merger” on page 8.

With respect to the forecast of operating results and cash distributions for the six months ending August 31, 2021 (from March 1, 2021 to August 31, 2021) of JRF, the surviving corporation after the Merger, please refer to “Notice Concerning the Forecast for Operating Results and Distributions Subsequent to the Merger of Japan Retail Fund Investment Corporation and MCUBS MidCity Investment Corporation for August 2021 (39th) Fiscal Period” otherwise disclosed on August 28, 2020.

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, 2020 1,784,125 units
As of December 31, 2019 1,784,125 units
Number of treasury units at end of period:
As of June 30, 2020 0 unit
As of December 31, 2019 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 24.

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 “1. Results of Operations, (2) Outlook of Next Fiscal Period, B. Outlook for Business” on page 5-10.

1. Results of Operations

(1) Overview of the Fiscal Period under Review

A. Brief background to MCUBS MidCity

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

From a medium-to long-term perspective, MCUBS MidCity's basic policy is aim to secure stable revenues and steady growth of assets under management. MCUBS MidCity mainly invests in office properties, and invests in the three major metropolitan areas which are Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama Prefectures), Osaka metropolitan area (Osaka, Kyoto, and Hyogo Prefectures), and Nagoya metropolitan area (Aichi Prefecture), as its portfolio building policy.

Since MCUBS MidCity began investing in 9 properties in 2006 at a total acquisition price of ¥146,650 million, MCUBS MidCity has achieved steady growth in assets through continuous acquisition of properties. As of June 30, 2020, the portfolio of MCUBS MidCity was comprised of 26 properties (including silent partnership interests backed by Nagoya Lucent Tower; the same shall apply hereinafter) with the total acquisition prices amounting of ¥287,629 million.

B. Investment Environment and Management Results

In the fiscal period under review (January 31, 2020 to June 30, 2020), the impact of COVID-19 was limited. In addition to the full-year operation of the three properties acquired in the previous fiscal period (total acquisition price: ¥27,010 million), MCUBS MidCity achieved a record-high number of upward rent revisions through continuous negotiations with tenants, and increased revenue and profits. As of the end of the 28th fiscal period, MCUBS MidCity’s portfolio was comprised 26 properties at a total acquisition price of ¥287,629 million. The investment ratio (based on the acquisition price) of which are distributed in terms of geographic region was 97.3% in the three major metropolitan areas (including 61.4% in the Tokyo area, 34.2% in the Osaka area, and 1.7% in the Nagoya area), 2.7% in other areas, and are distributed in terms of property type was 85.3% in office properties and 14.7% in others.

The vacancy rate remains low in the office leasing market. The occupancy rate at the end of the fiscal period under review was 98.5% (98.6% at the end of the previous fiscal period), as the tenants in some properties acquired in the previous fiscal period were replaced with no vacancy period. The total leasable area was 381,285.18 m^2, and the number of tenants was 407.

MCUBS MidCity shares the view on sustainability, in particular ESG (Environment, Social and Governance) recently attracting attention, with the asset management company striving to respond to responsibility concerning the environment and society based on the “Environmental Charter” and the “Basic Policy on Responsible Real Estate Investment”, and proactively promotes such efforts together with the asset management Company. Regarding environmental issues in particular, we have also been participating in GRESB (Global Real Estate Sustainability Benchmark) and was designated as the highest ranking "Green Star" in the real estate evaluation for 4 consecutive years, and have also received 5-star evaluation in the "GRESB rating" (5-level evaluation) based on the relative evaluation. In addition, since December 2018, we have been included in the MSCI Japan ESG Select Leaders Index, and have received an ESG rating of "AA." In the 27th fiscal period, G-Square Shibuya Dogenzaka has received J-REIT's first certification for “CASBEE for Smart Wellness Office.” As of the end of the 27th fiscal period, 3 properties were certified under DBJ Green Building certification, 4 were certified under CASBEE for real estate certification, 5 were certified under BELS (Building-Housing Energy-efficiency Labeling System), and 2 were certified under Tokyo Low-Carbon Small and Medium-Sized Model Building.

C. Overview of Fund Procurement

i. Issuance of New Investment Units

In the fiscal period under review (January 31, 2020 to June 30, 2020), MCUBS MidCity did not raise funds by issuing new investment units. The total number of investment units issued and outstanding as of the end of the fiscal period under review was 1,784,125 investment units.

ii. Debt Financing

In the 28th fiscal period, MCUBS MidCity borrowed a total of ¥8,550 million on January 31, 2020 to refinance. MCUBS MidCity has realized reduction of financial costs while further diversifying maturity dates and extending borrowing periods. As of the end of the 28th fiscal period, MCUBS MidCity had borrowed ¥118,975 million from 19 financial institutions, and the outstanding amount of investment corporation bonds was ¥8,000 million. The ratio of interest-bearing debt to total assets (hereinafter referred to as "LTV") was 42.1%, the ratio of long-term debt was 100.0% (including long-term debt due within 1 year), and the ratio of fixed interest rates was 90.4% (including fixed interest rates under interest rate swap agreements).

The rating of the MCUBS MidCity as of the end of the 28th fiscal period was as follows:

Credit rating agencies	Issuer rating	Rating outlook
Japan Credit Rating Agency, Ltd. (JCR)	AA-	Stable
Rating and Investment Information, Inc. (R&I)	A+	Stable

D. Overview of Business Performance and Distribution

As a result of the management described above, MCUBS MidCity recorded operating revenue of ¥9,061 million, operating income of ¥4,276 million, ordinary income of ¥3,660 million, and net income of ¥3,657 million.

Concerning distributions, to ensure that distributions of retained earnings would be deductible for tax purposes based on application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including amendments thereto) (hereafter, the “Act on Special Measures Concerning Taxation”), MCUBS MidCity decided to distribute all of unappropriated retained earnings, excluding fractions of the distribution per unit that are less than ¥1. Accordingly, MCUBS MidCity declared distribution per unit of ¥2,049.

(2) Outlook of Next Fiscal Period

A. Future Asset Management Policies and Challenges to Address

MCUBS MidCity aims to secure stable revenues and steady growth of assets under management as follows.

i. Internal Growth Strategy

MCUBS MidCity will formulate optimal medium-to long-term management strategies for each property and maximize cash flows based on these strategies.

In order to attract new tenants, MCUBS MidCity will work closely with property management contractors (hereinafter referred to as "property management companies") and office rental agencies to develop plans for attracting tenants tailored to the location and characteristics of each real estate under management, and steadily secure tenants by utilizing the unique routes owned by property management companies. Also, as follow-up activities for existing tenants, under the supervision of the asset management company, MCUBS MidCity collaborates with the property management company and the contractor for building management (hereinafter referred to as the "building management company") to create a database of tenants' requests, etc., conduct annual tenant satisfaction surveys, and actively exchange opinions with tenants' managers, etc. In response, MCUBS MidCity provides solutions such as facility renovation to improve tenant satisfaction, and make proposals for appropriate floor expansion, etc., in a timely manner.

In addition, under the supervision of the asset management company, in order to maintain and improve the earnings and asset value of the assets under management in the medium to long term, MCUBS MidCity aim to minimize operation management costs while maintaining management quality by implementing lifecycle management in the operation management stage in collaboration with the property management company and the building management company.

ii. External Growth Strategy

MCUBS MidCity will promote external growth in order to reduce investment management costs through the economies of scale and to reduce the risk of fluctuations in revenues through the effects of the portfolio, such as the diversification of investment assets. As a strategy for realizing external growth, MCUBS MidCity will pursue opportunities to acquire real estate based on information provided by the sponsor companies and group companies and its own network.

As for the targeted areas to be invested, MCUBS MidCity is considering the acquisition of investment assets with a focus on office properties in the three major metropolitan areas, and from the standpoint of securing more opportunities to acquire properties and diversifying investment, investment targets also include so-called "government-designated cities" as well as other major cities or their equivalent, outside of the three major metropolitan areas. In addition, as for the investment target in terms of property type, although MCUBS MidCity invests primarily in office properties, from the viewpoint of securing more opportunities to acquire properties and diversifying investment, MCUBS MidCity's investment targets also include real estate other than office properties (however, no new investment will be made as to retail properties and industrial properties).

MCUBS MidCity recognizes that the investment environment surrounding us is constantly changing, such as the uncertainty of the office leasing market conditions in the current real estate market and the collapse of asset type categories in response to changing needs for real estate. Since the recent outbreak of COVID-19 has accelerated such changes, MCUBS MidCity believes that it is necessary to respond more flexibly to changing needs for location of properties and added value provided by the properties.

iii. Financial Strategy

With the aim of maintaining financial stability, MCUBS MidCity will continue its efforts to maintain conservative LTV levels, raise stable funds, diversify maturity dates for interest-bearing debt, and promote the participation of new lending financial institutions. In addition, MCUBS MidCity will respond to interest rate fluctuation risks by adopting fixed interest rates in accordance with interest rate trends.

B. Outlook for Business

i. Important Matters Subsequent to the End of the Fiscal Period

ａ. Conclusion of Merger Agreement between MCUBS MidCity and Japan Retail Fund Investment Corporation

MCUBS MidCity and Japan Retail Fund Investment Corporation (hereinafter referred to as "JRF" and collectively referred to as "both investment corporations" together with MCUBS MidCity) decided at the board of directors meeting of each investment corporation held on August 28, 2020 to conduct an absorption-type merger effective March 1, 2021 (hereinafter referred to as the "Merger"), whereby JRF will be the surviving corporation and MCUBS MidCity will be the dissolving corporation, and concluded a merger agreement as of August 28, 2020 (hereinafter referred to as the "Merger Agreement").

（ｉ）Purpose of the Merger

Taking advantage of each investment corporation's characteristics, both investment corporations have conducted management with the aim of securing medium- to long-term revenue stability and fostering steady expansion of asset size. However, under uncertainty about the recent trend in the retail and office property sectors of the real estate market as well as under environmental changes such as less distinctions among types of asset as the needs for real estate is changing, JRF and MCUBS MidCity recognize, as a challenge for both corporations, that there would be a certain limitation on their business growth due to their specialization (for JRF) and focus (for MCUBS MidCity) in specific sectors. In particular, as management environment surrounding JRF and MCUBS MidCity is changing by the minute, such as that e-commerce and telecommuting are growing due to rapid advancement in information technologies and diversification of purposes of use of assets both on an area basis and on a property basis, and such changes are further accelerating due to the recent outbreak of the novel coronavirus. Therefore, JRF and MCUBS MidCity believe that both corporations need to cope more flexibly than ever with the shifts in needs regarding locations of properties or added value provided by properties. In such a situation, JRF and MCUBS MidCity, in order to cope with these challenges and to develop into a J-REIT which has both stability and growth potential that would lead to continuous enhancement of unitholder value, agreed to enter into discussions regarding the merger between JRF and MCUBS MidCity and have held several discussions so far. Consequently, JRF and MCUBS MidCity concluded that the Merger would lead to their further increased stability and growth potential owing to increased presence in the J-REIT Market realized by the expanded asset size and to the diversified purposes of use of investment target assets realized by conversion to a diversified REIT(Note), and as of August 28, 2020, have executed the Merger Agreement.

(Note) JRF is considering making amendments, etc. to the investment policy for its guidelines on the management of its assets upon the set-up, etc. of a new investment policy for the diversified REIT as of the effective date of the Merger on the condition that the Merger and the Amendment of the Articles of Incorporation become effective. Details of the amendments will be announced as soon as they have been determined. JRF has no plan to acquire any industrial properties, which is the investment target of Industrial & Infrastructure Fund Investment Corporation, even after the Merger becomes effective. Hereinafter the same shall apply.

Both investment corporations believe that the Merger has the following significance:

(i) Fit to Environment Changes

The Asset Management Company, through management of JRF and MCUBS MidCity thus far, has gained various management experience, such as leasing properties within each purpose of use based on tenant relationships and information collection regarding the lease market, value improvement by renewals and rebuilding/increase of floor areas/conversion of purposes of use etc., area management through concentrated property acquisition and analysis of the flow of people, and promotion of ESG which is recognized with the highest rating from MSCI, and has been refining its management skills. The Asset Management Company aims to flexibly respond to surrounding environment that keeps changing by combining various management skills cultivated by experience of management of both investment corporations thus far and implementing an active internal growth policy beyond distinctions among purposes of use without adhering to the existing purposes of use.

(ii) Expand Investment Universe

In conducting the Merger, JRF and MCUBS MidCity are planning that the new investment corporation will use the opportunity of converting to a diversified REIT to diversify the purposes of use of investment target assets. JRF and MCUBS MidCity believe that, after the Merger, in addition to retail facilities which are JRF’s existing investment targets, and office buildings and hotel properties which are MCUBS MidCity’s existing investment targets, investment in new assets such as residences and mixed-use properties that are used for a combination of those purposes will also become possible, which will enable continuous external growth by the new investment corporation in line with environment changes. In particular, JRF and MCUBS MidCity believe that since combining purposes of property use is advancing in urban areas, diversification of purposes of use of investment target assets will improve the flexibility of property management in line with environment changes without being bound by a single purpose of property use. Also, JRF and MCUBS MidCity believe that, when acquiring properties, a large-scale acquisition in a large transaction such as bulk sale of properties across multiple purposes of use, which was difficult for both corporations to conduct before the Merger will become possible after the Merger, which will make the external growth more likely. Both corporations are planning continuous external growth by further leveraging their own connections and sponsor’s support.

(iii) Create the Largest J-REIT

The asset size of the new investment corporation after the Merger is expected to reach 127 properties, excluding its equity interest in a silent partnership (*tokumei kumiai*) the underlying asset of which is Nagoya Lucent Tower, with a total asset value of 1,191.5 billion yen (on an acquisition price basis) [Note 1], which makes the corporation a J-REIT with the largest asset size [Note 2] (as of the end of July 2020). Through the expansion of asset size, JRF and MCUBS MidCity believe that they can establish the groundwork consisting of not only stability of cash flow, but also increased presence in the capital market, diversification of properties/tenants, and improvement of management flexibility, for realizing the improvement of stability and the acceleration of growth.

(Note 1) The asset size of the new investment corporation is calculated as the sum of the total acquisition price for assets of JRF as of the end of July, 2020, plus anticipated acquisition price of the asset to be acquired as announced in the “Notice Concerning Acquisition of a Trust Beneficiary Right in the Real Estate in Japan (G-Bldg. Tenjin Nishi-dori 02)”on August 26, 2020, and the total appraisal value for assets of MCUBS MidCity as of the end of June, 2020 which is used to estimate acquisition price by JRF (JRF will be the acquiring corporation for accounting purposes by application of the purchase method, and therefore, JRF will succeed to the assets of MCUBS MidCity, which will be the acquired corporation, at market value). The actual acquisition price for assets of MCUBS MidCity will be calculated based on the appraisal value as of the end of February, 2021 and therefore the actual asset size of the new investment corporation may differ from that stated herein. As such, there is no guarantee that the new investment corporation will have the largest asset size as of the effective date of the Merger.

(Note 2) Compared based on the total acquisition price (as of the end of the most recent fiscal period) stated in account settlement information of each investment corporation as of the end of July 2020.

The new investment corporation after the Merger, as a diversified REIT with the largest asset size (Note) among J-REITs investing in real estate properties serving as a foundation of urban lives, will hold up as its vision, “Support metropolitan life (live, work and consume) in Japan from the perspective of real estate”.

As its growth strategy, the new corporation will aim in the short term to further increase distributions per unit through implementing various measures to increase revenue, while seeking further promotion of investment in urban properties through strategic asset replacement and appropriate diversification of purposes of use in the portfolio. In the medium to long term, through external growth by capital increase through public offerings, as well as further increase in profitability through renewal or conversion, the new investment corporation will aim that, in the future, the various purposes of use of properties which serve as a foundation of urban life activities will create virtuous cycle where area value and asset value improve together.

(Note) Compared based on the total acquisition price (as of the end of the most recent fiscal period) stated in account settlement information of each investment corporation as of the end of July, 2020. The asset size of the new investment corporation is calculated as the sum of the total acquisition price for assets of JRF as of the end of July, 2020, plus anticipated acquisition price of the asset to be acquired as announced in the “Notice Concerning Acquisition of a Trust Beneficiary Right in the Real Estate in Japan (G-Bldg. Tenjin Nishi-dori 02)” on August 26, 2020, and the total appraisal value for assets of MCUBS MidCity as of the end of June, 2020 which is used to estimate acquisition price by JRF (JRF will be the acquiring corporation for accounting purposes by application of the purchase method, and therefore, JRF will succeed to the assets of MCUBS MidCity, which will be the acquired corporation, at market value). The actual acquisition price for assets of MCUBS MidCity will be calculated based on the appraisal value as of the end of February, 2021 and therefore the actual asset size of the new investment corporation may differ from that stated herein. As such, there is no guarantee that the new corporation will have the largest asset size as of the effective date of the Merger.

(ii) Merger Method

The Merger will be an absorption-type merger, whereby JRF will be the surviving corporation and MCUBS MidCity will be the dissolving corporation.

(iii) Merger Ratio, etc.

JFR plans a two-for-one investment unit split with February 28, 2021 as the record date and March 1, 2021 as the effective date, and the merger ratio and the number of new investment units to be allotted and delivered are subject to the Investment Unit Split taking effect. If 0.5 investment unit of JRF is allotted to one investment unit of MCUBS MidCity based on the merger ratio before the Investment Unit Split, many unitholders will be allocated fractions of less than one investment unit of JRF. Therefore, in order for MCUBS MidCity’s unitholders to continue to hold JRF's investment units after the Merger, for the purpose of delivering one or more investment units of JRF to all unitholders of MCUBS MidCity, a two-for-one split of investment units of JRF will be conducted in advance of the allotment to MCUBS MidCity’s unitholders, and one investment unit of JFR after such investment unit split will be allotted and delivered to one investment unit of MCUBS MidCity.

（iv）Payment upon the Merger

Besides the allotment to JRF's investment units as mentioned in the above (iii), JRF will pay cash equivalent to cash distributions for the same business period, which is the amount calculated by dividing the profit attributable to the unitholders of MCUBS MidCity on a day before the Merger becomes effective by the amount calculated by deducting the units held by unitholders other than those who are subject to the allotment from the total outstanding units of MCUBS MidCity on a day before the Merger becomes effective (to round down less than ¥1), to the unitholders based on the profit attributable to the unitholders of MCUBS MidCity who are listed or recorded on the final unitholders register a day before the Merger becomes effective, excluding MCUBS MidCity, JRF and the unitholders of MCUBS MidCity who requested MCUBS MidCity to purchase their holdings based on the Article 149-3 of the Law Concerning Investment Trusts and Investment Corporations, excluding those who rescinded their request to MCUBS MidCity for purchasing their holdings (hereinafter referred to as Unitholders Subject to the Allotment), as the proceeds for the cash distributions for the last business period of the MCUBS MidCity ending a day before the Merger becomes effective.On the condition that the Merger is approved at the General Meetings of Unitholders of Both Investment Corporations, the MCUBS MidCity will submit a proposal regarding the amendment to the articles of incorporation as to changing the 29th business period from the current July 1, 2020 to December 31, 2020 to July 1, 2020 to February 28, 2021 at the General Meeting of Unitholders on October 22, 2020. When the proposal is approved at the General Meeting of Unitholders, the last business period will be the 29th fiscal period from July 1, 2020 to February 28, 2021 (eight months) and cash distributions will not be made based on the base date of December 31, 2020. (As mentioned above, payment upon the Merger equivalent to the cash distributions for the same business period will be made.)

（v） Overview of Surviving Corporation by Absorption (JRF) for the Prior Period (The Fisical Period Ending February 29, 2020)

Business:	Manage assets as investment in primarily specified assets pursuant to the Law Concerning Investment Trusts and Investment Corporations
Operating income:	¥32,007 million
Net income:	¥12,800 million
Asset:	¥899,888 million
Liability:	¥464,590 million
Net asset:	¥435,298 million

（vi）Date of the Merger

The Merger will become effective on March 1, 2021.

b． Agendas for the 9th General Meeting of Unitholders

At the 9th General Meeting of Unitholders of MCUBS MidCity on October 22, 2020, the agendas regarding approval on the Merger Agreement, the termination of the Asset Management Agreement with the Asset Management Company, and partial amendment to the articles of incorporation will be discussed.

ii. Outlook for Business

The Forecasts for the Fiscal Period Ending February 28, 2021 (final accounting period: from July 1, 2020 to February 28, 2021) is prepared based on the following " Assumptions regarding Forecasts for the Fiscal Period Ending February 28, 2021 (final accounting period: from July 1, 2021 to February 28, 2021).

Assumptions regarding Forecasts
for the Fiscal Period Ending February 28, 2021 (final accounting period: from July 1, 2020 to February 28, 2021)

Item	Assumption
Accounting Period	Fiscal Period Ending February 28, 2021 (243 days from July 1, 2020 to February 28, 2021) *The assumption is that the Merger will become effective on March 1, 2021.
Asset under management	・It is assumed that 26 assets (including its equity interest in a silent partnership (*tokumei kumiai*), the underlying asset of which is Nagoya Lucent Tower) that MCUBS Midcity holds as of June 30, 2020 are held by the same corporation, and that there will be no changes in assets under management (acquisition of new properties, disposition of existing properties, etc.) until the end of February 2021. ・Actual results may fluctuate due to changes in the property portfolio and other factors.
Operating revenue	・Rental revenue is calculated based on the lease agreements in force as of today, taking into account the market environment, the characteristics of each property, the competitiveness of each property, and the situation of each tenant. ・Operating revenue is based on the assumption that there is no arrears or nonpayment of rents by tenants. ・Rental revenue is calculated with a decrease due to the impact of the spread of COVID-19 being taken into account to a certain extent. ・Dividend income from silent partnership interests is calculated reflecting a forecast about occupancy of properties that is a source of cash flow.
Operating expenses	・Of the expenses related to rental business, which are the main operating expenses, expenses other than depreciation are calculated based on historical data and reflecting seasonal factors and other cost fluctuation factors. ・Property management fees are assumed to be ¥1,224 million for the Fiscal Period Ending February 28, 2021. ・Utilities expenses are assumed to be ¥862 million for the Fiscal Period Ending February 28, 2021. ・Fixed asset taxes, city planning taxes and depreciable asset taxes (hereinafter referred to as "fixed asset taxes, etc.") are assumed to be ¥1,144 million for the Fiscal Period Ending February 28, 2021. ・The expense of repairs of buildings is calculated as the amount expected to be required during the respective accounting periods. The amount is assumed to be ¥571 million for the Fiscal Period Ending February 28, 2021. 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. ・Depreciation is assumed to be ¥1,760 million for the Fiscal Period Ending February 28, 2021 on a straight-line basis, including incidental expenses and additional future capital expenditures.
Non-operating expense	・Interest expenses are assumed to be ¥594 million for the Fiscal Period Ending February 28, 2021. ・Borrowing-related expenses are assumed to be ¥172 million for the Fiscal Period Ending February 28, 2021. ・Amortization of investment unit issuance costs are assumed to be ¥24 million for the Fiscal Period Ending February 28, 2021. ・One-time cost relevant to the Merger is assumed to be ¥142 million.
Interest-bearing debt	・The balance of interest-bearing debt is assumed to be ¥126,975 million at the end of Fiscal Period Ending February 28, 2021.
Number of investment units issued and outstanding	・It is assumed that the total number of investment units issued and outstanding is 1,784,125 units, which is the number as of today. ・It is assumed that there will be no additional issuance of new investment units until the end of the Fiscal Period Ending February 2021.

Payment upon the Merger per unit	・Payment upon the Merger (payment upon the Merger per unit) is made instead of cash distributions for the Fisical Period Ending February, 2021 (from July 1, 2020 to February 28, 2021) and is calculated on the basis of the cash distribution policy set forth in the articles of incorporation of MCUBS MidCity. ・The source of the payment upon the Merger will be ¥5,377 million, which is the total amount of net income and part of gains from the disposition of properties retained as the reserve for reduction entry (¥998 million). ・Payment upon the Merger per unit may change due to various factors, including changes in assets under management, fluctuations in rental income resulting from changes in tenants, etc., unexpected repairs, and interest rate fluctuations.
Other	・It is assumed that there will be no revision in laws and regulations, the tax system, accounting standards, the regulations on the listing of securities, or the regulations of the Investment Trusts Association, Japan, etc. that may affect the above forecast figures. ・It is assumed that there will be no unexpected material change in general economic trends and real estate market conditions, etc.

2. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	December 31, 2019	June 30, 2020
ASSETS		
Current assets:		
Cash and bank deposits	8,882,197	10,024,138
Cash and bank deposits in trust	5,554,071	5,881,894
Rental receivables	222,522	141,360
Accounts receivable – other	10,346	—
Income taxes receivable	32,650	32,556
Consumption taxes refundable	620,628	—
Prepaid expenses	59,179	49,398
Other	—	7,921
Total current assets	15,381,597	16,137,269
Noncurrent assets:		
Property and equipment:		
Buildings in trust, at cost (Note 1)	80,383,065	81,342,532
Less: Accumulated depreciation	(20,375,031)	(21,608,192)
Buildings in trust, net	60,008,033	59,734,340
Structures in trust, at cost	258,134	260,280
Less: Accumulated depreciation	(34,129)	(41,790)
Structures in trust, net	224,005	218,489
Machinery and equipment in trust, at cost	4,103	4,103
Less: Accumulated depreciation	(2,214)	(2,380)
Machinery and equipment in trust, net	1,889	1,722
Tools, furniture and fixtures in trust, at cost (Note 1)	520,662	551,818
Less: Accumulated depreciation	(381,912)	(399,636)
Tools, furniture and fixtures in trust, net	138,749	152,182
Land in trust	219,361,611	219,361,611
Construction in progress in trust	29,191	20,884
Total net property and equipment	279,763,480	279,489,230
Intangible assets:		
Software	2,034	2,966
Other	684	684
Total intangible assets	2,719	3,650
Investments and other assets:		
Investment securities	5,085,027	5,085,027
Lease and guarantee deposits	10,210	10,210
Long-term prepaid expenses	703,020	673,569
Deferred tax assets	0	—
Total investments and other assets	5,798,258	5,768,807
Total noncurrent assets	285,564,458	285,261,688
Deferred charges:		
Investment corporation bonds issuance costs	51,066	45,686
Investment unit issuance costs	78,860	57,493
Total deferred charges	129,926	103,180
TOTAL ASSETS	301,075,982	301,502,138

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

(Thousands of yen)

	As of	
	December 31, 2019	June 30, 2020
LIABILITIES		
Current liabilities:		
Operating accounts payable	514,364	434,038
Current portion of investment corporation bonds – unsecured	—	1,500,000
Current portion of long-term loans payable	22,850,000	19,600,000
Accounts payable	1,868,076	1,265,914
Accrued expenses	147,721	152,449
Distribution payable	11,537	11,812
Consumption taxes payable	—	503,590
Advances received	1,285,883	1,383,829
Other	656,521	876,654
Total current liabilities	27,334,105	25,728,290
Noncurrent liabilities:		
Investment corporation bonds – unsecured	8,000,000	6,500,000
Long-term loans payable	96,125,000	99,375,000
Tenant leasehold and security deposits	13,589,333	13,702,191
Total noncurrent liabilities	117,714,333	119,577,191
TOTAL LIABILITIES	145,048,438	145,305,481
NET ASSTES		
Unitholders' equity:		
Unitholders' capital	151,540,963	151,540,963
Surplus:		
Voluntary reserve		
Reserve for reduction entry of property	1,097,233	998,617
Total voluntary reserve	1,097,233	998,617
Retained earnings	3,389,348	3,657,076
Total surplus	4,486,581	4,655,693
Total unitholders' equity	156,027,544	156,196,656
TOTAL NET ASSETS (Note 2)	156,027,544	156,196,656
TOTAL LIABILITIES AND NET ASSETS	301,075,982	301,502,138

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)

	For the six months ended	
	December 31, 2019	June 30, 2020
Operating revenues		
Rent revenues－real estate (Note 4)	7,869,468	8,344,666
Other rental business revenues (Note 4)	536,938	554,749
Dividends income	162,811	162,341
Total operating revenues	8,569,219	9,061,756
Operating expenses		
Expenses related to rental business (Note 4)	3,729,088	3,849,294
Asset management fees	727,860	794,817
Asset custody fees	6,001	6,075
Administrative service fees	36,559	40,118
Directors' compensations	12,180	12,180
Other	74,018	82,908
Total operating expenses	4,585,707	4,785,394
Operating income	3,983,511	4,276,362
Non-operating income		
Interest income	84	71
Reversal of distribution payable	736	1,290
Interest on refund	43	2,344
Gain on donation of noncurrent assets (Note 5)	684	－
Total non-operating income	1,549	3,707
Non-operating expenses		
Interest expenses	421,278	442,437
Interest expenses on investment corporation bonds	22,525	22,525
Borrowing related expenses	126,198	126,745
Amortization of investment corporation bonds issuance costs	5,379	5,379
Amortization of investment unit issuance costs	19,431	21,366
Other	877	971
Total non-operating expenses	595,690	619,425
Ordinary income	3,389,370	3,660,643
Extraordinary gain		
Subsidy income (Note 6)	－	10,346
Total extraordinary gain	－	10,346
Extraordinary losses		
Reduction entry of property (Note 6)	－	10,346
Total extraordinary losses	－	10,346
Income before income taxes	3,389,370	3,660,643
Income taxes		
Current	608	3,567
Deferred	3	0
Total income taxes	611	3,567
Net income	3,388,758	3,657,076
Retained earnings brought forward	589	－
Unappropriated retained earnings	3,389,348	3,657,076

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, 2019

	Unitholders' equity						
		Surplus					
		Voluntary reserve					
	Unitholders' capital (Note 2)	**Reserve for reduction entry of property**	**Total voluntary reserve**	**Retained earnings**	**Total surplus**	**Total unitholders' equity**	**Total net assets**
Balance as of June 30, 2019	136,452,412	622,708	622,708	4,995,350	5,618,059	142,070,471	142,070,471
Changes during the period							
Issuance of new investment units	15,088,551	－	－	－	－	15,088,551	15,088,551
Provision of reserve for reduction entry of property	－	474,524	474,524	(474,524)	－	－	－
Dividends from surplus	－	－	－	(4,520,236)	(4,520,236)	(4,520,236)	(4,520,236)
Net income	－	－	－	3,388,758	3,388,758	3,388,758	3,388,758
Total changes during the period	15,088,551	474,524	474,524	(1,606,002)	(1,131,477)	13,957,073	13,957,073
Balance as of December 31, 2019	151,540,963	1,097,233	1,097,233	3,389,348	4,486,581	156,027,544	156,027,544

For the six months ended June 30, 2020

	Unitholders' equity						
		Surplus					
		Voluntary reserve					
	Unitholders' capital (Note 2)	**Reserve for reduction entry of property**	**Total voluntary reserve**	**Retained earnings**	**Total surplus**	**Total unitholders' equity**	**Total net assets**
Balance as of December 31, 2019	151,540,963	1,097,233	1,097,233	3,389,348	4,486,581	156,027,544	156,027,544
Changes during the period							
Reversal of reserve for reduction entry of property	－	(98,616)	(98,616)	98,616	－	－	－
Dividends from surplus	－	－	－	(3,487,964)	(3,487,964)	(3,487,964)	(3,487,964)
Net income	－	－	－	3,657,076	3,657,076	3,657,076	3,657,076
Total changes during the period	－	(98,616)	(98,616)	267,728	169,112	169,112	169,112
Balance as of June 30, 2020	151,540,963	998,617	998,617	3,657,076	4,655,693	156,196,656	156,196,656

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, 2019	**June 30, 2020**
Unappropriated retained earnings	3,389,348,179	3,657,076,508
Reversal of voluntary reserve		
Reversal of reserve for reduction entry of property	98,616,196	—
Cash distribution declared	3,487,964,375	3,655,672,125
(Cash distribution declared per unit)	*(1,955)*	*(2,049)*
Retained earnings carried forward	—	1,404,383

Note:

For the six months ended December 31, 2019

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 declared a total of ¥3,487,964,375 for cash distributions which consists of all of unappropriated retained earnings of ¥3,389,348,179 at the end of the six months ended 31, 2019 and reversal of reserve for reduction entry of property of ¥98,616,196 calculated based on Article 65-7 of the Special Taxation Measures Act of Japan.

For the six months ended June 30, 2020

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 declared a total of ¥3,655,672,125 for cash distributions which was all of retained earnings at the end of the 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.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	December 31, 2019	June 30, 2020
Cash flows from operating activities:		
Income before income taxes	3,389,370	3,660,643
Depreciation and amortization	1,193,453	1,267,369
Amortization of long-term prepaid expenses	93,264	96,557
Amortization of investment unit issuance costs	19,431	21,366
Amortization of investment corporation bonds issuance costs	5,379	5,379
Interest income	(84)	(71)
Interest expenses	443,803	464,962
Subsidy income	—	(10,346)
Gain on donation of noncurrent assets	(684)	—
Loss on retirement of noncurrent assets	1,405	1,063
Reduction entry of property	—	10,346
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	(49,713)	81,161
Decrease (increase) in consumption taxes refundable	(620,628)	620,628
Increase (decrease) in consumption taxes payable	(507,959)	503,590
Increase (decrease) in operating accounts payable	149,093	(80,325)
Increase (decrease) in accounts payable	21,251	(78,062)
Increase (decrease) in advances received	126,003	97,946
Decrease (increase) in prepaid expenses	(11,608)	9,781
Payments of long-term prepaid expenses	(238,615)	(67,106)
Other, net	21,631	(70,669)
Subtotal	4,034,791	6,534,216
Interest income received	84	71
Interest expenses paid	(448,759)	(460,235)
Income taxes paid	(927)	(3,472)
Net cash provided by operating activities	3,585,189	6,070,580
Cash flows from investing activities:		
Purchases of property and equipment in trust	(28,789,310)	(1,486,613)
Purchases of intangible assets	—	(2,539)
Proceeds from tenant leasehold and security deposits	1,185,431	572,845
Payments of tenant leasehold and security deposits	(288,471)	(165,480)
Net cash used in investing activities	(27,892,350)	(1,081,789)
Cash flows from financing activities:		
Proceeds from long-term loans payable	26,200,000	8,550,000
Repayments of long-term loans payable	(15,200,000)	(8,550,000)
Proceeds from issuance of investment units	15,064,704	—
Payments of investment unit issuance costs	—	(32,629)
Dividends paid	(4,520,654)	(3,486,398)
Net cash provided by (used in) financing activities	21,544,050	(3,519,027)
Net change in cash and cash equivalents	(2,763,111)	1,469,763
Cash and cash equivalents at the beginning of period	17,199,380	14,436,269
Cash and cash equivalents at the end of period (Note 7)	14,436,269	15,906,033

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 and equipment (Including trust assets)

Property and equipment is recorded at cost. Depreciation of property 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 and equipment

Property 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 and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥15,993 thousand for the six months ended December 31, 2019. No taxes on property, plant and equipment were capitalized for the six months period ended for June 30, 2020.

(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 rate 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 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 of property

Acquisition costs of certain buildings in trust and tools, furniture and fixtures 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, 2019	**June 30, 2020**
Reduction entry by:		
Government subsidies received		
Buildings in trust	54,864	65,210
Tools, furniture and fixtures in trust	3,639	3,639
Insurance income		
Buildings in trust	68,700	68,700

Note 2 – Unitholders' equity

(1) Number of units

	As of	
	December 31, 2019	**June 30, 2020**
Authorized	10,000,000 units	10,000,000 units
Issued and outstanding	1,784,125 units	1,784,125 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, 2019 and June 30, 2020, the Investment Corporation entered into committed lines of credit with Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and MUFG Bank, Ltd. as follows:

(Thousands of yen)

	As of	
	December 31, 2019	**June 30, 2020**
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 revenues and expenses

Revenues and expenses related to property rental business for the six months ended December 31, 2019 and June 30, 2020 consist of the following:

(Thousands of yen)

	For the six months ended	
	December 31, 2019	June 30, 2020
Rental business revenues:		
Rent revenues－real estate:		
Rental revenues	6,387,919	6,855,799
Common area charges	1,283,208	1,279,237
Parking lots	198,339	209,629
Total rent revenues－real estate	7,869,468	8,344,666
Other rental business revenues:		
Utilities	451,120	453,958
Cancellation penalty	4,236	－
Other	81,581	100,790
Total other rental business revenues	536,938	554,749
Total rental business revenues	8,406,407	8,899,415
Expenses related to rental business:		
Property management fees	872,386	931,783
Utilities	630,800	564,191
Property-related taxes	679,750	722,003
Insurance	8,000	8,616
Repair and maintenance	275,203	300,651
Depreciation	1,193,524	1,267,441
Loss on retirement of noncurrent assets	1,405	1,063
Other	68,016	53,543
Total expenses related to rental business	3,729,088	3,849,294
Operating income from property leasing activities	4,677,318	5,050,121

Note 5 – Gain on donation of noncurrent assets

Gain on donation of noncurrent assets for the six months ended December 31, 2019 was recognized due to a transfer of carbon credits.

Note 6 – Subsidy income and reduction entry of property

For the six months ended June 30, 2020, the Investment Corporation received electric energy saving subsidy for a property and reduced acquisition costs of the property by the amount equivalent to the subsidy.

Note 7 – 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, 2019	June 30, 2020
Cash and bank deposits	8,882,197	10,024,138
Cash and bank deposits in trust	5,554,071	5,881,894
Cash and cash equivalents	14,436,269	15,906,033

Note 8 – 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, 2019 and June 30, 2020 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

(Thousands of yen)

	As of	
	December 31, 2019	**June 30, 2020**
Due within one year	4,467,999	4,805,677
Due after one year	6,583,482	5,939,722
Total	11,051,482	10,745,400

(b) Lease commitments

Future minimum lease payments required under the terms of operating leases as of December 31, 2019 and June 30, 2020 are as follows:

(Thousands of yen)

	As of	
	December 31, 2019	**June 30, 2020**
Due within one year	6,036	4,527
Due after one year	1,509	—
Total	7,545	4,527

Note 9 – 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, security deposits and investment corporation bond are managed by decentralizing maturity date of loans payable and investment corporation bond and 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, 2019 and June 30, 2020.

(Thousands of yen)

	As of					
	December 31, 2019			June 30, 2020		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(1) Cash and bank deposits	8,882,197	8,882,197	—	10,024,138	10,024,138	—
(2) Cash and bank deposits in trust	5,554,071	5,554,071	—	5,881,894	5,881,894	—
Total assets	14,436,269	14,436,269	—	15,906,033	15,906,033	—
(3) Current portion of investment corporation bonds – unsecured	—	—	—	1,500,000	1,498,800	(1,200)
(4) Current portion of long-term loans payable	22,850,000	22,943,523	93,523	19,600,000	19,648,313	48,313
(5) Investment corporation bonds – unsecured	8,000,000	7,975,550	(24,450)	6,500,000	6,429,350	(70,650)
(6) Long-term loans payable	96,125,000	97,029,993	904,993	99,375,000	100,398,938	1,023,938
Total liabilities	126,975,000	127,949,066	974,066	126,975,000	127,975,402	1,000,402
(7) 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 investment corporation bonds – unsecured and (5) Investment corporation bonds – unsecured

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

(4) Current portion of long-term loans payable and (6) 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.

(7) Derivative instruments

Please refer to “Note 10 - Derivative instruments” for further information.

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

(Thousands of yen)

	As of	
	December 31, 2019	June 30, 2020
Investment securities	5,085,027	5,085,027
Tenant leasehold and security deposits	13,589,333	13,702,191

The investment securities (equity interests in silent partner ship) are not traded in markets, and it is too difficult to estimate reasonable fair value. Also, it is difficult to determine fair values of tenant leasehold and security deposits 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, 2019	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	8,882,197	—	—	—	—	—
Cash and bank deposits in trust	5,554,071	—	—	—	—	—
Total	14,436,269	—	—	—	—	—

(Thousands of yen)

As of June 30, 2020	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	10,024,138	—	—	—	—	—
Cash and bank deposits in trust	5,881,894	—	—	—	—	—
Total	15,906,033	—	—	—	—	—

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

(Thousands of yen)

As of December 31, 2019	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds – unsecured	—	1,500,000	1,000,000	—	—	5,500,000
Long-term loans payable	22,850,000	14,250,000	9,900,000	11,100,000	10,700,000	50,175,000

(Thousands of yen)

As of June 30, 2020	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds – unsecured	1,500,000	1,000,000	—	—	—	5,500,000
Long-term loans payable	19,600,000	12,950,000	11,200,000	11,800,000	12,650,000	50,775,000

Note 10 – Derivative instruments

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

As of December 31, 2019 (Thousands of yen)

Method of hedge accounting	Type of derivatives	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 swap (Floating-rate to fixed-rate interest)	Long-term loans payable	31,600,000	20,300,000	Note 1	-

As of June 30, 2020 (Thousands of yen)

Method of hedge accounting	Type of derivatives	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 swap (Floating-rate to fixed-rate interest)	Long-term loans payable	34,700,000	20,600,000	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 9 - Financial instruments (b) Quantitative information for financial instruments".

Note 11 – Related-party transactions

There was no related-party transaction to be disclosed for the six months ended December 31, 2019 and June 30, 2020.

Note 12 – Segment information

Segment information for the six months ended December 31, 2019 and June 30, 2020 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

(Thousands of yen)

Name of customer	**Revenues for the six months ended**		**Related segment**
	December 31, 2019	**June 30, 2020**	
Panasonic Corporation	1,049,764	1,047,686	Property rental business

Note 13 – Fair value of investment and rental properties

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 the aggregate for the six months ended December 31, 2019 and June 30, 2020.

(Thousands of yen)

	As of / For the six months ended	
	December 31, 2019	**June 30, 2020**
Net book value		
Balance at the beginning of the period	251,503,251	279,734,829
Net increase (decrease) during the period [(1)]	28,231,577	(266,014)
Balance at the end of the period	279,734,829	279,468,814
Fair value	303,570,000	302,710,000

Notes:

(1) For the six months ended December 31, 2019:

Changes in the net book value are mainly due to the following acquisitions and other capital expenditures offset by depreciation amounting to ¥1,193,524 thousand.

		Increase (decrease) in net book value (Thousands of yen)
Acquisitions:	East Square Tokyo	9,905,140
	Osaka YM Bldg.	6,593,518
	Hotel Vista Premio Tokyo	11,691,928

For the six months ended June 30, 2020:

Changes in the net book value are mainly due to capital expenditures offset by depreciation amounting to ¥1,267,441 thousand.

(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, 2019 and June 30, 2020, please refer to “Note 4 – Rental business revenues and expenses.”

Note 14 – Per unit information

The net asset value per unit as of December 31, 2019 and June 30, 2020 was ¥87,453 and ¥87,548, respectively. Net income per unit for the six months ended December 31, 2019 and June 30, 2020 was ¥2,023 and ¥2,049, respectively.

The net income per unit is calculated by dividing the net income attributable to unitholders by the adjusted 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, 2019	**June 30, 2020**
Net income	3,388,758	3,657,076
Effect of dilutive units	—	—
Net income attributable to unitholders	3,388,758	3,657,076
Adjusted weighted-average number of units outstanding for the period	1,675,011 units	1,784,125 units

Note 15 – Subsequent events

(a) Conclusion of Merger Agreement between MCUBS MidCity and Japan Retail Fund Investment Corporation

MCUBS MidCity and Japan Retail Fund Investment Corporation (hereinafter referred to as “JRF” and collectively referred to as “both investment corporations” together with MCUBS MidCity) decided at the board of directors meeting of each investment corporation held on August 28, 2020 to conduct an absorption-type merger effective March 1, 2021 (hereinafter referred to as the “Merger”), whereby JRF will be the surviving corporation and MCUBS MidCity will be the dissolving corporation, and concluded a merger agreement as of August 28, 2020 (hereinafter referred to as the “Merger Agreement”).

(i) Purpose of the Merger

Taking advantage of each investment corporation’s characteristics, both investment corporations have conducted management with the aim of securing medium- to long-term revenue stability and fostering steady expansion of asset size. However, under uncertainty about the recent trend in the retail and office property sectors of the real estate market as well as under environmental changes such as less distinctions among types of asset as the needs for real estate is changing, JRF and MCUBS MidCity recognize, as a challenge for both corporations, that there would be a certain limitation on their business growth due to their specialization (for JRF) and focus (for MCUBS MidCity) in specific sectors. In particular, as management environment surrounding JRF and MCUBS MidCity is changing by the minute, such as that e-commerce and telecommuting are growing due to rapid advancement in information technologies and diversification of purposes of use of assets both on an area basis and on a property basis, and such changes are further accelerating due to the recent outbreak of the novel coronavirus. Therefore, JRF and MCUBS MidCity believe that both corporations need to cope more flexibly than ever with the shifts in needs regarding locations of properties or added value provided by properties. In such a situation, JRF and MCUBS MidCity, in order to cope with these challenges and to develop into a J-REIT which has both stability and growth potential that would lead to continuous enhancement of unitholder value, agreed to enter into discussions regarding the merger between JRF and MCUBS MidCity and have held several discussions so far. Consequently, JRF and MCUBS MidCity concluded that the Merger would lead to their further increased stability and growth potential owing to increased presence in the J-REIT Market realized by the expanded asset size and to the diversified purposes of use of investment target assets realized by conversion to a diversified REIT(Note), and as of August 28, 2020, have executed the Merger Agreement.

Note: JRF is considering making amendments, etc. to the investment policy for its guidelines on the management of its assets upon the set-up, etc. of a new investment policy for the diversified REIT as of the effective date of the Merger on the condition that the Merger and the Amendment of the Articles of Incorporation become effective. Details of the amendments will be announced as soon as they have been determined. JRF has no plan to acquire any industrial properties, which is the investment target of Industrial & Infrastructure Fund Investment Corporation, even after the Merger becomes effective. Hereinafter the same shall apply.

Both investment corporations believe that the Merger has the following significance:

① Fit to Environment Changes

The Asset Management Company, through management of JRF and MCUBS MidCity thus far, has gained various management experience, such as leasing properties within each purpose of use based on tenant relationships and information collection regarding the lease market, value improvement by renewals and rebuilding/increase of floor areas/conversion of purposes of use etc., area management through concentrated property acquisition and analysis of the flow of people, and promotion of ESG which is recognized with the highest rating from MSCI, and has been refining its management skills. The Asset Management Company aims to flexibly respond to surrounding environment that keeps changing by combining various management skills cultivated by experience of management of both investment corporations thus far and implementing an active internal growth policy beyond distinctions among purposes of use without adhering to the existing purposes of use.

② Expand Investment Universe

In conducting the Merger, JRF and MCUBS MidCity are planning that the new investment corporation will use the opportunity of converting to a diversified REIT to diversify the purposes of use of investment target assets. JRF and MCUBS MidCity believe that, after the Merger, in addition to retail facilities which are JRF's existing investment targets, and office buildings and hotel properties which are MCUBS MidCity's existing investment targets, investment in new assets such as residences and mixed-use properties that are used for a combination of those purposes will also become possible, which will enable continuous external growth by the new investment corporation in line with environment changes. In particular, JRF and MCUBS MidCity believe that since combining purposes of property use is advancing in urban areas, diversification of purposes of use of investment target assets will improve the flexibility of property management in line with environment changes without being bound by a single purpose of property use. Also, JRF and MCUBS MidCity believe that, when acquiring properties, a large-scale acquisition in a large transaction such as bulk sale of properties across multiple purposes of use, which was difficult for both corporations to conduct before the Merger will become possible after the Merger, which will make the external growth more likely. Both corporations are planning continuous external growth by further leveraging their own connections and sponsor's support.

③ Create the Largest J-REIT

The asset size of the new investment corporation after the Merger is expected to reach 127 properties, excluding its equity interest in a silent partnership (*tokumei kumiai*) the underlying asset of which is Nagoya Lucent Tower, with a total asset value of 1,191.5 billion yen (on an acquisition price basis) (Note(i)), which makes the corporation a J-REIT with the largest asset size (Note(ii)) (as of the end of July 2020). Through the expansion of asset size, JRF and MCUBS MidCity believe that they can establish the groundwork consisting of not only stability of cash flow, but also increased presence in the capital market, diversification of properties/tenants, and improvement of management flexibility, for realizing the improvement of stability and the acceleration of growth.

Note (i): The asset size of the new investment corporation is calculated as the sum of the total acquisition price for assets of JRF as of the end of July, 2020, plus anticipated acquisition price of the asset to be acquired as announced in the "Notice Concerning Acquisition of a Trust Beneficiary Right in the Real Estate in Japan (G-Bldg. Tenjin Nishi-dori 02)"on August 26, 2020, and the total appraisal value for assets of MCUBS MidCity as of the end of June, 2020 which is used to estimate acquisition price by JRF (JRF will be the acquiring corporation for accounting purposes by application of the purchase method, and therefore, JRF will succeed to the assets of MCUBS MidCity, which will be the acquired corporation, at market value). The actual acquisition price for assets of MCUBS MidCity will be calculated based on the appraisal value as of the end of February, 2021 and therefore the actual asset size of the new investment corporation may differ from that stated herein. As such, there is no guarantee that the new investment corporation will have the largest asset size as of the effective date of the Merger.

Note (ii): Compared based on the total acquisition price (as of the end of the most recent fiscal period) stated in account settlement information of each investment corporation as of the end of July 2020.

The new investment corporation after the Merger, as a diversified REIT with the largest asset size (Note) among J-REITs investing in real estate properties serving as a foundation of urban lives, will hold up as its vision, "Support metropolitan life (live, work and consume) in Japan from the perspective of real estate".

As its growth strategy, the new corporation will aim in the short term to further increase distributions per unit through implementing various measures to increase revenue, while seeking further promotion of investment in urban properties through strategic asset replacement and appropriate diversification of purposes of use in the portfolio. In the medium to long term, through external growth by capital increase through public offerings, as well as further increase in profitability through renewal or conversion, the new investment corporation will aim that, in the future, the various purposes of use of properties which serve as a foundation of urban life activities will create virtuous cycle where area value and asset value improve together.

Note : Compared based on the total acquisition price (as of the end of the most recent fiscal period) stated in account settlement information of each investment corporation as of the end of July, 2020. The asset size of the new investment corporation is calculated as the sum of the total acquisition price for assets of JRF as of the end of July, 2020, plus anticipated acquisition price of the asset to be acquired as announced in the "Notice Concerning Acquisition of a Trust Beneficiary Right in the Real Estate in Japan (G-Bldg. Tenjin Nishi-dori 02)" on August 26, 2020, and the total appraisal value for assets of MCUBS MidCity as of the end of June, 2020 which is used to estimate acquisition price by JRF (JRF will be the acquiring corporation for accounting purposes by application of the purchase method, and therefore, JRF will succeed to the assets of MCUBS MidCity, which will be the acquired corporation, at market value). The actual acquisition price for assets of MCUBS MidCity will be calculated based on the appraisal value as of the end of February, 2021 and therefore the actual asset size of the new investment corporation may differ from that stated herein. As such, there is no guarantee that the new corporation will have the largest asset size as of the effective date of the Merger.

(ii) Merger Method

The Merger will be an absorption-type merger, whereby JRF will be the surviving corporation and MCUBS MidCity will be the dissolving corporation.

(iii) Merger Ratio, etc.

JFR plans a two-for-one investment unit split with February 28, 2021 as the record date and March 1, 2021 as the effective date, and the merger ratio and the number of new investment units to be allotted and delivered are subject to the Investment Unit Split taking effect. If 0.5 investment unit of JRF is allotted to one investment unit of MCUBS MidCity based on the merger ratio before the Investment Unit Split, many unitholders will be allocated fractions of less than one investment unit of JRF. Therefore, in order for MCUBS MidCity's unitholders to continue to hold JRF's investment units after the Merger, for the purpose of delivering one or more investment units of JRF to all unitholders of MCUBS MidCity, a two-for-one split of investment units of JRF will be conducted in advance of the allotment to MCUBS MidCity's unitholders, and one investment unit of JFR after such investment unit split will be allotted and delivered to one investment unit of MCUBS MidCity.

(ⅳ) Payment upon the Merger

Besides the allotment to JRF's investment units as mentioned in the above (iii), JRF will pay cash equivalent to cash distributions for the same business period, which is the amount calculated by dividing the profit attributable to the unitholders of MCUBS MidCity on a day before the Merger becomes effective by the amount calculated by deducting the units held by unitholders other than those who are subject to the allotment from the total outstanding units of MCUBS MidCity on a day before the Merger becomes effective (to round down less than ¥1), to the unitholders based on the profit attributable to the unitholders of MCUBS MidCity who are listed or recorded on the final unitholders register a day before the Merger becomes effective, excluding MCUBS MidCity, JRF and the unitholders of MCUBS MidCity who requested MCUBS MidCity to purchase their holdings based on the Article 149-3 of the Law Concerning Investment Trusts and Investment Corporations, excluding those who rescinded their request to MCUBS MidCity for purchasing their holdings (hereinafter referred to as Unitholders Subject to the Allotment), as the proceeds for the cash distributions for the last business period of the MCUBS MidCity ending a day before the Merger becomes effective.

On the condition that the Merger is approved at the General Meetings of Unitholders of Both Investment Corporations, the MCUBS MidCity will submit a proposal regarding the amendment to the articles of incorporation as to changing the 29th business period from the current July 1, 2020 to December 31, 2020 to July 1, 2020 to February 28, 2021 at the General Meeting of Unitholders on October 22, 2020. When the proposal is approved at the General Meeting of Unitholders, the last business period will be the 29th fiscal period from July 1, 2020 to February 28, 2021 (eight months) and cash distributions will not be made based on the base date of December 31, 2020. (As mentioned above, payment upon the Merger equivalent to the cash distributions for the same business period will be made.)

(v) Overview of Surviving Corporation by Absorption (JRF) for the Prior Period

(The Fisical Period Ending February 29, 2020)

Business:	Manage assets as investment in primarily specified assets pursuant to the Law Concerning Investment Trusts and Investment Corporations
Operating income:	¥32,007 million
Net income:	¥12,800 million
Asset:	¥899,888 million
Liability:	¥464,590 million
Net asset:	¥435,298 million

(ⅵ) Date of the Merger

The Merger will become effective on March 1, 2021.

(b) Agendas for the 9th General Meeting of Unitholders

At the 9th General Meeting of Unitholders of MCUBS MidCity on October 22, 2020, the agendas regarding approval on the Merger Agreement, the termination of the Asset Management Agreement with the Asset Management Company, and partial amendment to the articles of incorporation will be discussed.

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

There was no change in unitholders' capital for the six months ended June 30, 2020. The outline of changes in unitholders' capital for last five years until June 30, 2020 was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
July 29, 2015	Public offering	70,000	262,025	21,222	114,030	Note 1
August 17, 2015	Allocation of investment units to a third party	4,000	266,025	1,212	115,243	Note 2
February 28, 2017	Public offering	29,100	295,125	9,419	124,662	Note 3
March 27, 2017	Allocation of investment units to a third party	1,500	296,625	485	125,148	Note 4
January 1, 2018	Unit Split	1,186,500	1,483,125	—	125,148	Note 5
February 15, 2018	Public offering	152,000	1,635,125	10,738	135,887	Note 6
March 9, 2018	Allocation of investment units to a third party	8,000	1,643,125	565	136,452	Note 7
November 19, 2019	Public offering	134,000	1,777,125	14,339	150,791	Note 8
December 17, 2019	Allocation of investment units to a third party	7,000	1,784,125	749	151,540	Note 9

Note 1 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 2 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 3 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 4 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.

Note 5 The Investment Corporation implemented a split of its investment units on a five-for-one basis with December 31, 2017 as the record date and January 1, 2018 as the effective date for the unit split.

Note 6 New investment units were issued at a price of ¥73,125 per unit (subscription price of ¥70,650 per unit) through a public offering in order to raise funds for acquiring new property.

Note 7 New investment units were issued at a price of ¥70,650 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on February 15, 2018.

Note 8 New investment units were issued at a price of ¥110,760 per unit (subscription price of ¥107,011 per unit) through a public offering in order to raise funds for acquiring new property.

Note 9 New investment units were issued at a price of ¥107,011 per unit through the allocation of investment units to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in connection with the public offering on November 19, 2019.

3. Additional information

(1) Composition of assets

Classification of assets	Investment category	Investment area		As of December 31, 2019 Total of net book value (Millions of yen)	As of December 31, 2019 Ratio to total assets (Note 1) (%)	As of June 30, 2020 Total of net book value (Millions of yen)	As of June 30, 2020 Ratio to total assets (Note 1) (%)
Trust beneficial interest in real property	Office Building	Three major metropolitan areas	Tokyo metropolitan area (Note 2)	142,872	47.5	143,099	47.5
			Osaka metropolitan area (Note 2)	91,766	30.5	91,342	30.3
		Other areas		5,640	1.9	5,744	1.9
	Other	Three major metropolitan areas	Tokyo metropolitan area (Note 2)	35,071	11.6	34,936	11.6
			Osaka metropolitan area (Note 2)	2,320	0.8	2,302	0.8
		Other areas		2,062	0.7	2,043	0.7
Sub-total				279,734	92.9	279,468	92.7
Investments in Tokumei Kumiai agreement (Note 3)				5,085	1.7	5,085	1.7
Bank deposits and other assets				16,256	5.4	16,948	5.6
Total assets				301,075	100.0	301,502	100.0
Total liabilities				145,048	48.2	145,305	48.2
Total net assets				156,027	51.8	156,196	51.8

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, 2020 was as follows:

Name	Classification of assets	Quantity	Net book value (Millions of yen) Per unit	Net book value (Millions of yen) Amount	Fair value (Note2) (Millions of yen) Per unit	Fair value (Note2) (Millions of yen) Amount	Ratio to total assets (Note 3) (%)
Equity interest of TK agreement managed by R40 Godo Kaisha (Note 1)	Investments in Tokumei Kumiai agreement	—	—	5,085	—	5,085	1.7

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, 2020 were as follows:

Investment category	Investment area		Property Number	Name of property	Location (Note1)	Form of ownership	Net book value (Note 2) (Millions of yen)	Appraisal value at end of period (Note 3) (Millions of yen)	Leasable area (Note 4) (m^2)	Leased area (Note 5) (m^2)	Occupancy ratio (Note 6) (%)
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	7,495	8,690	6,858.16	6,858.16	100.0
			OT-2	G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	12,098	17,000	5,051.06	5,051.06	100.0
			OT-3	Shibuya Sakuragaoka Square	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	17,251	19,700	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	6,967	8,250	12,704.18	12,596.69	99.2
			OT-5	Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	20,539	23,600	24,494.06	24,494.06	100.0
			OT-6	Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	2,827	3,200	3,254.77	3,254.77	100.0
			OT-7	Sasazuka Center Bldg.	2-1-6, Sasazuka, Shibuya-ku, Tokyo	Trust beneficial interest	9,044	9,310	8,240.30	8,240.30	100.0
			OT-8	USC Bldg.	4-11-38, Toyo, Koto-ku, Tokyo	Trust beneficial interest	11,037	11,500	12,487.73	11,722.93	93.9
			OT-9	Yoshiyasu Kanda Bldg.	2-1-15, Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	4,207	4,250	3,149.39	3,149.39	100.0
			OT-10	TOYOTA MOBILITY SERVICE Bldg.	2-12-4, Nihombashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	9,560	10,400	6,123.81	6,123.81	100.0
			OT-11	M-City Akasaka 1-chome Bldg.	1-11-28, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	4,379	4,470	2,550.44	2,550.44	100.0
			OT-12	Yokohama i-land Tower	6-50-1, Honmachi, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	23,640	23,900	25,460.50	25,460.50	100.0
			OT-13	M-City Edogawabashi Bldg.	1-44-10, Sekiguchi, Bunkyo-ku, Tokyo	Trust beneficial interest	4,124	4,240	3,472.70	3,472.70	100.0
			OT-14	East Square Tokyo	1-6-35, Shinsuna, Koto-ku, Tokyo	Trust beneficial interest	9,924	9,760	12,208.42	9,455.53	77.5
		Osaka metropolitan area	OO-1	Twin 21	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	65,443	60,300	82,304.82	80,690.45	98.0
			OO-5	MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	3,043	2,670	4,277.63	4,277.63	100.0
			OO-7	Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	10,216	11,500	10,189.49	10,189.49	100.0
			OO-8	MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	3,299	2,600	3,881.74	3,881.74	100.0
			OO-9	Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	2,737	4,400	4,655.57	4,655.57	100.0
			OO-10	Osaka YM Bldg.	7-15-26, Fukushima, Fukushima-ku, Osaka-shi	Trust beneficial interest	6,602	8,180	9,952.88	9,952.88	100.0
	Other area		OR-1	Sendai Capital Tower	4-10-3, Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	5,744	6,800	12,999.80	12,371.15	95.2
	Sub total						240,186	254,720	260,697.11	254,828.91	97.7
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	23,276	29,000	101,210.44	101,210.44	100.0
			HT-1	Hotel Vista Premio Tokyo	4-3-2, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	11,660	11,000	4,236.46	4,236.46	100.0
		Osaka metropolitan area	RO-1	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	2,302	3,430	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	2,043	4,560	5,554.91	5,554.91	100.0
	Sub total						39,282	47,990	120,588.07	120,588.07	100.0
Total							279,468	302,710	381,285.18	375,416.98	98.5

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, 2020 appraised by the real estate appraiser (JLL Morii Valuation & Advisory, K.K., 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 Dormy Inn Hakata Gion) that is leasable as of June 30, 2020.

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 Dormy Inn Hakata Gion) that is leased under lease agreements valid as of June 30, 2020.

Note 6 “Occupancy ratio” is presented as percentage figures, which are obtained by dividing the leased area as of June 30, 2020 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.

Note 7 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, 2020 were as follows:

Investment category	Investment area		Property Number	Name of property	For the six months ended December 31, 2019				For the six months ended June 30, 2020			
					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	9	100.0	298,626	3.8	9	100.0	305,178	3.7
			OT-3	Shibuya Sakuragaoka Square	4	100.0	344,655	4.4	4	100.0	341,159	4.1
			OT-4	Yokohama Creation Square	43	100.0	350,613	4.5	43	99.2	352,017	4.2
			OT-5	Cube Kawasaki	10	100.0	642,757	8.2	10	100.0	666,467	8.0
			OT-6	Higashi-Nihombashi Green Bldg.	7	100.0	83,858	1.1	7	100.0	82,587	1.0
			OT-7	Sasazuka Center Bldg.	9	100.0	271,297	3.4	9	100.0	267,607	3.2
			OT-8	USC Bldg.	9	93.9	283,863	3.6	9	93.9	281,850	3.4
			OT-9	Yoshiyasu Kanda Bldg.	7	100.0	98,963	1.3	7	100.0	105,581	1.3
			OT-10	TOYOTA MOBILITY SERVICE Bldg.	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
			OT-11	M-City Akasaka 1-chome Bldg.	12	100.0	90,474	1.1	12	100.0	97,085	1.2
			OT-12	Yokohama i-land Tower	7	100.0	666,640	8.5	7	100.0	672,776	8.1
			OT-13	M-City Edogawabashi Bldg.	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			OT-14	East Square Tokyo	13	81.0	58,706	0.7	12	77.5	286,476	3.4
		Osaka metropolitan area	OO-1	Twin 21	109	98.2	2,270,201	28.8	103	98.0	2,224,762	26.7
			OO-5	MID Imabashi Bldg.	21	100.0	95,784	1.2	21	100.0	96,436	1.2
			OO-7	Kitahama MID Bldg.	11	100.0	281,370	3.6	10	100.0	283,545	3.4
			OO-8	MID Nishihommachi Bldg.	18	100.0	86,873	1.1	18	100.0	88,640	1.1
			OO-9	Higobashi MID Bldg.	12	100.0	113,437	1.4	12	100.0	115,338	1.4
			OO-10	Osaka YM Bldg.	25	100.0	44,725	0.6	28	100.0	190,791	2.3
	Other area		OR-1	Sendai Capital Tower	74	93.0	261,851	3.3	75	95.2	255,606	3.1
	Sub total				405	97.9	–	–	401	97.7	–	–
Other	Three major metropolitan areas	Tokyo metropolitan area	RT-1	AEON MALL Tsudanuma	1	100.0	726,000	9.2	1	100.0	726,000	8.7
			HT-1	Hotel Vista Premio Tokyo	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
		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				6	100.0	–	–	6	100.0	–	–
Total					411	98.6	7,869,468	100.0	407	98.5	8,344,666	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 at the end of fiscal period 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 "Rental revenues" are excluding other rental business revenues (Utilities, cancellation penalty and other).

Note 4 Total of the rental revenues includes revenues from Sumitomo Fudosan Ueno Bldg. No.6, TOYOTA MOBILITY SERVICE Bldg., M-City Edogawabashi Bldg., Hotel Vista Premio Tokyo, 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 Amounts less than one thousand yen are rounded down.