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MC-UBS GROUP

Japan Retail Fund Investment Corporation

September 25, 2020

To all concerned parties:

Investment Corporation
Japan Retail Fund Investment Corporation
(Tokyo Stock Exchange Company Code: 8953)
Representative: Shuichi Namba, Executive Director
URL: https://www.jrf-reit.com/english/
Asset Management Company
Mitsubishi Corp.-UBS Realty Inc.
Representative: Katsuji Okamoto, President & CEO
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Notice Concerning Convocation of General Meeting of Unitholders Regarding the Approval of a Merger Agreement and Partial Amendments to Articles of Incorporation

Japan Retail Fund Investment Corporation ("JRF") hereby announces that it has resolved at the board of directors meeting held today to submit proposals concerning the approval of a merger agreement and partial amendments to its Articles of Incorporation at its 13th General Meeting of Unitholders (the "General Meeting of Unitholders") scheduled to be held on October 23, 2020 as described below.

The proposed resolutions will take effect upon approval by the General Meeting of Unitholders.

1. Approval of agreement on absorption-type merger with MCUBS MidCity Investment Corporation

   As described in the "Notice Concerning Execution of the Merger Agreement by and between Japan Retail Fund Investment Corporation and MCUBS MidCity Investment Corporation" released on August 28, 2020, JRF and MCUBS MidCity Investment Corporation ("MMI") resolved to undertake an absorption-type merger, with March 1, 2021 as the effective date, whereby JRF will be the surviving corporation and MMI will be the dissolving corporation in the merger (the "Merger"), and executed a merger agreement (the "Merger Agreement") on August 28, 2020.

   We would appreciate it if you could agree with the content of the Merger and approve the Merger Agreement.

   (For the details of the Merger Agreement, please refer to "Notice of Convocation of the 13th General Meeting of Unitholders" attached to this press release as Exhibit.)

2. Partial amendments to the Articles of Incorporation

   Reasons for amendments are as follows.

   (Unless otherwise specified, the clause numbers of the Articles of Incorporation indicated in this section refer to the clause numbers of the current Articles of Incorporation.)

   (1) We will amend Article 1 in order to change its trade name to "Japan Metropolitan Fund Investment Corporation" as of the effective date of the Merger with the aim of converting into a diversified REIT whose core assets are mainly retail facilities, office buildings, residences, hotels and mixed-use properties for these purposes.
   (2) Although JRF had mainly invested in retail facilities or specified assets backed by retail facilities, we will amend Article 14, Paragraph 1, Paragraph 2, Paragraph 3 and Paragraph 6 in order to mainly invest in retail facilities, office buildings, residences, hotels and mixed-use properties for those purposes (core assets) or specified assets backed by core assets upon the Merger.
   (3) As the Merger will expand the asset size and also the balance of borrowing and investment corporation bonds, we will amend Article 23 in order to change the limits for borrowing and issuance of investment corporation bonds to two trillion yen and the aggregate amount thereof to

less than two trillion yen.

(4) In response to increasing role and responsibility of the accounting auditors, based on that the number of properties will increase as a result of the Merger and audit activities will also increase, we will amend Article 31 in order to change the maximum amount of the fees for accounting auditors so that we will be able to adjust the fees for the accounting auditors to a level appropriate for the assigned audit services.

(5) We will stipulate in the supplementary provision that the amendments to the Articles of Incorporation in (1) through (4) above will take effect on the condition that the Merger takes effect. (For the details of the Partial amendments to the Articles of Incorporation, please refer to "Notice of Convocation of the 13th General Meeting of Unitholders") attached to this press release as Exhibit.

3. Schedule of the General Meeting of Unitholders, etc.

September 25, 2020	The board of directors' approval for resolutions to be submitted to the General Meeting of Unitholders
October 8, 2020	Delivery of the Notice of Convocation of the 13th General Meeting of Unitholders (scheduled)
October 23, 2020	General Meeting of Unitholders (scheduled)

(Note) Following the approval of each proposal above at the General Meeting of Unitholders, JRF will file all notifications, etc. as required by relevant law.

END

[Exhibit] Notice of Convocation of the 13th General Meeting of Unitholders

* Website
Japan Retail Fund Investment Corporation: https://www.jrf-reit.com/english/

October 8, 2020

To our unitholders

7-3 Marunouchi 2-chome, Chiyoda-ku, Tokyo
Tokyo Building
Japan Retail Fund Investment Corporation
Executive Director Shuichi Namba

Notice of Convocation of the 13th General Meeting of Unitholders

We hereby give notice of the 13th General Meeting of Unitholders of the Japan Retail Fund Investment Corporation ("JRF"), which will be held as follows.

With the objective of preventing the spread of the novel coronavirus, we kindly ask all unitholders to exercise their voting rights in writing to the extent possible and to refrain from attending the general meeting of unitholders in person, regardless of your health conditions. **Unitholders who exercise their voting rights in writing should refer to the "Explanatory Memorandum on the General Meeting of Unitholders" at the end of this notice, fill out the enclosed voting rights exercise form and return the same so that we can receive it by 5:30 p.m., Thursday, October 22, 2020.**

In accordance with the provisions of Article 93, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (the "Investment Trust Act"), JRF has set forth provisions regarding "Deemed Approval" in Article 48 of its current Articles of Incorporation. Accordingly, **unitholders who do not attend the meeting and do not exercise voting rights by means of the voting rights exercise form shall be included in the number of voting rights of unitholders present, and shall be deemed to approve the proposals for resolution submitted to the general meeting of unitholders. We ask that you pay due consideration to this point.**

Excerpt from JRF's Current Articles of Incorporation

Article 48 Deemed Approval

1. **Unitholders who do not attend a general meeting of unitholders and do not exercise voting rights are deemed to approve the proposals for resolution (excluding any proposals with purposes that conflict with each other in the case that multiple proposals are submitted) submitted to the general meeting of unitholders.**
2. **The number of voting rights of unitholders deemed to approve the propsals for resolution pursuant to the provisions of Article 48.1 are included in the number of voting rights of unitholders present.**

Details

1. **Time and Date**: 10 a.m. Friday, October 23, 2020

(Reception scheduled to open at 9:30 a.m.)

2. **Place**: Sapia Tower, 7-12, Marunouchi 1-chome, Chiyoda-ku, Tokyo

"Sapia Hall", 5^{th} Floor of Station Conference

* The meeting place is different from the last general meeting.

3. **Objectives of the General Meeting of Unitholders**:

Matters for Resolution

Resolution Proposal 1 - Approval of agreement on absorption-type merger with MCUBS MidCity Investment Corporation

Resolution Proposal 2 - Partial amendments to the Articles of Incorporation

<Requests>

When you attend the general meeting of unitholders, please hand in the enclosed voting rights exercise form to the reception desk at the meeting venue.

When a proxy attends the meeting, since it is possible for one (1) other unitholder who holds voting rights to attend the general meeting of unitholders as a proxy, the proxy shall hand in the proxy form together with the voting rights exercise form to the reception desk at the meeting venue.

Please be advised in advance that a proxy who is not a unitholder, accompanying person or anyone other than the unitholders who may exercise voting rights may not enter the meeting venue.

Considering the infection status, etc. of the novel coronavirus within Japan, we will take measures to prevent the spread of infection at the general meeting of unitholders. For further information, please see the "Measures to Prevent the Spread of the Novel Coronavirus" below.

Depending on the situation in the future, we may take measures including postponement of the general meeting of unitholders or change of the meeting venue. In such cases, the relevant details will be posted on our website (https://www.jrf-reit.com/).

<Notice>

Please be advised that if we need to revise any matters in the Explanatory Memorandum on the General Meeting of Unitholders during the period up until the day prior to the general meeting of unitholders, we will post any such revisions on our website (https://www.jrf-reit.com/).

Please be advised that a briefing session on the status of the managed assets which was previously held following the conclusion of the general meeting of unitholders will not be held.

Measures to Prevent the Spread of the Novel Coronavirus

Considering the infection status of the novel coronavirus within Japan, we intend to take measures described below to ensure your security and prevent the spread of infection. We will appreciate your understanding and cooperation.

Requests to the Unitholders

- Voting rights at the general meeting of unitholders may be exercised in writing as well. With the objective of ensuring your security and preventing the spread of infection, we kindly ask you to refrain from attending in person the meeting to the extent possible and to exercise your voting rights by the enclosed voting rights exercise form.
- We would like to particularly ask elderly persons, persons with underlying medical conditions and expectant mothers to carefully consider whether or not to attend the general meeting of unitholders in person.
- Depending on the situation in the future, we may take measures including postponement of the general meeting of unitholders or change of the meeting venue. In such cases, the relevant details will be posted on our website (https://www.jrf-reit.com/).
- We will drastically reduce the number of seats compared to the previous meetings in order to leave plenty of space between the unitholders. Please be advised in advance that you may not enter the meeting venue if there are not enough seats.
- Please understand that the officials and our staff members will be wearing masks at the meeting, after confirming the absence of health problems.
- For those of you who will attend the meeting in person, please wear a mask and sanitize your hands with hand sanitizer containing alcohol, which will be placed at the reception desk at the meeting venue.
- We will conduct temperature checks at the reception desk at the meeting venue. Please be advised in advance that those who have a fever may be denied entry to the meeting venue. In addition, please be advised in advance that our staff members may speak to unitholders who seem to be in bad condition, deny their entry to or ask them to leave the meeting venue.
- We kindly ask you to allow sufficient time to get to the meeting venue, for congestion at the reception desk is expected as a result of each measure above.
- In addition to the above, please understand that we may take necessary measures to maintain order at the general meeting of unitholders.

Explanatory Memorandum on the General Meeting of Unitholders

Matters for Resolution and Explanatory Notes

Resolution Proposal 1 Approval of Agreement on Absorption-Type Merger with MCUBS MidCity Investment Corporation

On August 28, 2020, JRF and MCUBS MidCity Investment Corporation ("MMI") resolved to undertake an absorption-type merger, with March 1, 2021 as the effective date, whereby JRF will be the surviving corporation and MMI will be the dissolving corporation in the merger (the "Merger"), and executed a merger agreement (the "Merger Agreement") to that effect.

1. Reason for the absorption-type merger

In the Japanese Real Estate Investment Trust Securities Market (the "J-REIT Market"), while in 2019 solid fundamentals and a declining trend of long-term interest rates inside and outside the country contributed to a major growth, the spread of the novel coronavirus in 2020 caused a severe decline since March. Although recently the market has been on a track to recovery due to expectations for resuming economic activities, etc., it is drifting below the level before the spread of the novel coronavirus.

Mitsubishi Corp.-UBS Realty Inc. ("MCUBSR"), the asset management company of JRF and MMI, is an asset management company (a joint venture set up in 2000 by Mitsubishi Corporation, a general trading company, and UBS A.G., a leading financial institution in Europe). MCUBSR, to which the management of assets was entrusted by three investment corporations including JRF and MMI, has a total of 1.4 trillion yen of assets under management(Note 1) as of the end of July 2020, which is one of the largest balance of assets under management in Japan. Since 2001 MCUBSR has engaged in management of J-REIT, built a stable track record and enhanced unitholder value of each investment corporation which has entrusted the management of assets to MCUBSR through increased distributions per unit and NAV per unit(Note 2) achieved by continuous external growth, aiming to secure revenue stability through the effect of expansion in size and diversification of assets.

(Note 1) "Assets under management" is stated based on the total amount of acquisition price as of the end of July 2020, for assets held by investment corporations of which asset management is entrusted to MCUBSR.

(Note 2) "NAV per unit" is calculated by dividing: (i) the total net assets on the balance sheet for each fiscal period of an investment corporation which has entrusted the management of assets to MCUBSR, net of total distributions paid in such fiscal period, plus differences between appraisal value and book value of the whole portfolio for such fiscal period (the total amount of differences between appraisal value and book value of assets held by each investment corporation as of the end of each fiscal period, with the date of appraisal being the end of such fiscal period) (in the case differences between appraisal value and book value is negative, minus the absolute value of such differences); by (ii) the total number of issued investment units during such fiscal period.

JRF was listed on the J-REIT Market of the Tokyo Stock Exchange in March 2002 as the first investment corporation in Japan that specializes in management of retail property assets and the first investment corporation sponsored by a non-real-estate company. After the listing, JRF has realized the expansion of its asset size by property acquisitions through multiple public offerings and the merger between JRF and LaSalle Japan REIT Inc., which took effect in March 2010. JRF now has the largest asset size among retail REITs(Note) and as of the end of July 2020, holds 101 properties with a total asset value of 883.8 billion yen (on an acquisition price basis). In view of the changes in the environment surrounding retail properties, including the decline of suburban areas due to factors such as concentration of population in urban areas, shrinking population and growth of e-commerce, and inbound consumption that continues to expand in urban areas, JRF has primarily invested in urban retail properties in "locations where people gather". In addition to primarily investing in locations where people gather, JRF manages properties with its unique "power to gather people", which has been developed through the long-term management of assets by MCUBSR.

(Note) "Retail REITs" means J-REITs with the ratio of retail properties in their portfolio accounting for more than 90 % on an asset size basis and which are listed on the J-REIT Market.

MMI was listed on the J-REIT Market of the Tokyo Stock Exchange in August 2006 as MID REIT, Inc., which primarily invested in office properties in the Osaka area (Osaka, Kyoto and Hyogo prefectures). In April 2015, MCUBSR became a main sponsor of the former MID REIT Management Co., Ltd., which was the asset management company of MMI at the time, and the former MID REIT Management Co., Ltd. changed its trade name to MCUBS MidCity Inc. After that, MID REIT changed its trade name to MCUBS MidCity Investment Corporation and has expanded its investment target area from the Osaka area to include the three major urban areas (Tokyo, Osaka and Nagoya areas) in order to maximize unitholder value. An absorption-type merger was undertaken dated as of July 1, 2019, whereby MCUBSR was the surviving corporation and MCUBS MidCity Inc. was the dissolving corporation, and MCUBSR became the asset management company of MMI. As of the end of June, 2020, MMI holds 26 assets, including its equity interest in a silent partnership (*tokumei* *kumiai*), the underlying asset of which is Nagoya Lucent Tower, with an asset size of 287.6 billion yen (on an acquisition price basis).

JRF and MMI, by taking advantages of each corporation's characteristics, 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 MMI 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 MMI) in specific sectors. In particular, as management environment surrounding JRF and MMI 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 MMI 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 MMI, 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 MMI and have held several discussions so far. Consequently, JRF and MMI 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 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 amendments of the articles of incorporation as proposed by Resolution Proposal 2 become effective. 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.

JRF and MMI believe that the Merger has the following significance.

(i) Fit to Environment Changes

MCUBSR, through management of JRF and MMI 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. MCUBSR 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 MMI 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 MMI 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 MMI'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 MMI 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 MMI 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 (Note 1)

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 2), which makes the corporation a J-REIT with the largest asset size (Note 1) (as of the end of July 2020). Through the expansion of asset size, JRF and MMI 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) 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.

(Note 2) 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 the acquisition price (5,000 million yen) of G-Bldg. Tenjin Nishi-dori 02 (located at 12-64, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka) acquired on August 31, 2020, and the total appraisal value for assets of MMI 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 MMI, which will be the acquired corporation, at market value). The actual acquisition price for assets of MMI 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.

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 the acquisition price (5,000 million yen) of G-Bldg. Tenjin Nishi-dori 02 (located at 12-64, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka) acquired on August 31, 2020, and the total appraisal value for assets of MMI 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 MMI, which will be the acquired corporation, at market value). The actual acquisition price for assets of MMI 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.

We would appreciate it if you could agree with the content of the Merger and approve the Merger Agreement.

2. Summary of the contents of the Merger Agreement

As described in Attachment 1 hereto (pages 26 to 38).

3. Summary of the contents of the matters set forth in Items 1 to 3, Article 194 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations

(1) Matters regarding appropriateness of provisions for number of investment units of the surviving corporation delivered to the unitholders of the dissolving corporation in lieu of their investment units by the surviving corporation for the absorption-type merger or calculation method of number of such investment units and total amount of unitholders' capital of the surviving corporation and allocation of investment units of the surviving corporation to unitholders of the dissolving corporation

(i) Matters regarding appropriateness of provisions for number of investment units of the surviving corporation delivered to the unitholders of the dissolving corporation in lieu of their investment units by the surviving corporation for the absorption-type merger or calculation method of number of such investment units and allocation of investment units of the surviving corporation to unitholders of the dissolving corporation

(a) Number of investment units of JRF or amount of money to be allocated for each investment unit of MMI

<table>
<tr><th></th><th>JRF
(Surviving corporation in the absorption-type merger)</th><th>MMI
(Dissolving corporation in the absorption-type merger)</th></tr>
<tr><td rowspan="2">Allocation of investment units under the Merger</td><td rowspan="2">1</td><td>1</td></tr>
<tr><td>(Reference):
Before the Investment Unit Split
0.5</td></tr>
</table>

(Note 1) The number of new JRF investment units to be issued as a result of the Merger (the number of units after the investment unit split): 1,784,125

(Note 2) JRF plans to split one investment unit into two investment units with February 28, 2021 as the record date for splitting the investment units and March 1, 2021 as the effective date of the split (the "Investment Unit Split"); the allocation ratio shown above and the number of new investment units JRF will allocate and deliver are subject to the Investment Unit Split taking effect. If, 0.5 JRF investment units are allocated and delivered against 1 MMI investment unit on the basis of the merger ratio before the Investment Unit Split, there will be many MMI unitholders being allocated fractions of less than one JRF investment unit. To make it possible for MMI unitholders to continue holding JRF investment units after the Merger, a split of JRF investment units will be carried out before the allocation towards MMI unitholders, in the ratio of two JRF investment units to one JRF investment unit for the purpose of delivering to all MMI unitholders at least one JRF investment unit, and for every one MMI investment unit, 1 JRF investment unit post-Investment Unit Split will be allocated and delivered.

(Note 3) In addition to the abovementioned investment units, JRF intends to pay MMI unitholders (the unitholders stated or recorded in the final unitholders' register on the day before the effective date of the Merger (excluding JRF, MMI and those MMI unitholders who have demanded the purchase of their investment units pursuant to Article 149-3 of the Investment Trust Act) (excluding those who have withdrawn such demand for purchase) (hereinafter referred to as the "Unitholders Subject to Allocation"), in lieu of cash distributions for the last business period of MMI which ends the day before the effective date of the Merger, a merger consideration in the form of cash distribution based on MMI's distributable income for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of MMI's distributable income on the date before the effective date of the Merger by the number of issued MMI investment units on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The merger consideration will be paid within a reasonable period from the effective date of the Merger.

In addition, MMI will submit to the general meeting of its unitholders, which is scheduled to be held on October 22, 2020, a proposal for an amendment to be made to its articles of incorporation with a view to changing the 29^{th} business period, on the condition that the Merger Agreement is approved in the general meetings of unitholders of JRF and MMI, respectively, from the current period from July 1, 2020 until December 31, 2020 to the period from July 1, 2020 until the last day of February, 2021. If the aforementioned amendment is approved in the general meeting of unitholders, the last business period before the effective date of the Merger is expected to be an eight-month period from July 1, 2020 to February 28, 2021 as the 29^{th} business period, and cash distributions with December 31, 2020 as the record date will not be made (and instead, as mentioned above, a merger consideration in the form of cash distributions based on MMI's distributable income for that same period will be paid).

(b) Basis for Calculation

JRF has appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("Mitsubishi UFJ Morgan Stanley Securities"), and MMI has appointed SMBC Nikko Securities Inc. ("SMBC Nikko Securities"), respectively, as their financial advisors for the Merger. JRF and MMI have requested their respective financial advisors to conduct financial analysis with regard to the merger ratio used in the Merger in order to calculate the merger ratio used in the Merger in a fair manner.

The summaries of the analyses respectively conducted by Mitsubishi UFJ Morgan Stanley Securities and SMBC Nikko Securities indicate figures prior to taking into consideration the Investment Unit Split, by JRF, of one investment unit into two investment units as mentioned above in "(a) Number of investment units of JRF or amount of money to be allocated for each investment unit of MMI".

(Mitsubishi UFJ Morgan Stanley Securities)

Mitsubishi UFJ Morgan Stanley Securities performed its analysis of the merger ratio for each of JRF and MMI, comprehensively taking into consideration the analysis results based on (i) historical unit price analysis as a method of analysis based on the investment unit price formed in the securities market, as investment units of JRF and MMI are listed on the Tokyo Stock Exchange, (ii) comparable trading multiple analysis as a method of analysis based on the investment unit value of other listed investment corporations conducting business similar to that of JRF and MMI, (iii) DCF Analysis as a primary method of analysis of investment unit value based on the mid-to-long term future business activities of JRF and MMI, and (iv) the net asset value approach as a method of static analysis of investment unit value, which reflects the market value of assets held by JRF and MMI. A summary of the analysis performed by Mitsubishi UFJ Morgan Stanley Securities is as follows.

Valuation Method	JRF	MMI
Historical Unit Price Analysis	1	0.46 - 0.64
Comparable Trading Multiple Analysis	1	0.39 - 0.51
DCF Analysis	1	0.44 - 0.62
Net Asset Value Approach	1	0.44

Concerning the historical unit price analysis, taking into account the recent market trading trends of the investment units of JRF and MMI, the financial analysis date was set on August 27, 2020 and the merger ratio was analyzed based on the closing prices for one-month, three-month, six-month, and twelve-month periods up to the financial analysis date. Please refer to Note 1 at the end of this section for more detailed information regarding the assumptions and disclaimers for the analyses of Mitsubishi UFJ Morgan Stanley Securities.

In the future profit plan of JRF and MMI (including the Permitted Purchase and Sale of Real Properties(Note 2)) which Mitsubishi UFJ Morgan Stanley Securities referred to as the basis for the DCF Analysis, there is no fiscal period in which a considerable increase or decrease in profits is expected.

(SMBC Nikko Securities)

SMBC Nikko Securities has determined to adopt four individual valuation methods to calculate the merger ratio based on its own analysis on the financial information of JRF and MMI as well as the terms and conditions of the Merger. Because the investment units of JRF and MMI are both listed on the Tokyo Stock Exchange and the market prices are available, SMBC Nikko Securities conducted the historical unit price analysis. Because there are multiple listed investment corporations comparable to each of JRF and MMI and analogical estimates of the investment unit values based on the comparable investment corporations are possible, SMBC Nikko Securities also conducted the comparable trading multiple analysis. In addition, SMBC Nikko Securities conducted the dividend discount model analysis (“DDM”) as a method of valuation and analysis of the investment unit values based on dividends that unitholders of

JRF and MMI are expected to receive in the future, and for the purpose of reflecting the market values of the properties held by each of JRF and MMI, SMBC Nikko Securities also conducted the adjusted net asset value analysis. The future profit plan of JRF which SMBC Nikko Securities received included purchase and sale of real properties related to the Permitted Purchase and Sale of Real Properties.

The calculated ranges of the merger ratio shown below are those of the number of JRF investment units to be allocated for each investment unit of MMI. In performing the historical unit price analysis, SMBC Nikko Securities adopted the simple arithmetic averages of the closing investment unit prices during the most recent month, the most recent three-month period and the most recent six-month period, each ending on the valuation reference date as of August 27, 2020. For details of the supplemental explanation regarding the assumptions and disclaimers for SMBC Nikko Securities' analysis, please refer to Note 3 at the end of this section.

There were no fiscal years in which a significant increase or decrease in the profits was expected in the future profit plans of JRF and MMI on which SMBC Nikko Securities relied for DDM.

Valuation Methodology	JRF	MMI
Historical Unit Price Analysis	1	0.52 - 0.56
Comparable Trading Multiple Analysis	1	0.35 - 0.71
Dividend Discount Model Analysis	1	0.38 - 0.64
Adjusted Net Asset Value Analysis	1	0.44

(Note 1) In analyzing the above merger ratio, Mitsubishi UFJ Morgan Stanley Securities has relied on the information provided by JRF and MMI and publicly available information assuming that all such materials and information are accurate and complete, without independent verification of the accuracy or completeness of those materials and information. In addition, Mitsubishi UFJ Morgan Stanley Securities did not make any independent valuation, appraisal, or assessment of the assets or liabilities (including off-balance-sheet assets and liabilities and any other contingent liabilities) of JRF and MMI, nor has Mitsubishi UFJ Morgan Stanley Securities requested any such appraisal or assessment from a third-party institution. Further, Mitsubishi UFJ Morgan Stanley Securities has assumed that the financial projections provided by JRF and MMI have been prepared in a reasonable manner to reflect the best currently available estimates and judgments by the management of each of JRF and MMI. The analysis of the above merger ratio by Mitsubishi UFJ Morgan Stanley Securities was based on the above information that was available as of August 27, 2020.

Mitsubishi UFJ Morgan Stanley Securities has prepared its analysis solely for the board of directors of JRF for the purpose of deliberating the Merger and the analysis may not be definitively relied upon or used for any other purpose or by any other third party. In addition, Mitsubishi UFJ Morgan Stanley Securities will not provide any opinion or recommendation on voting by any of the unitholders of JRF or MMI with respect to the Merger or any other proposed transaction.

(Note 2) JRF and MMI have agreed that JRF may enter into or perform agreements concerning the sale and purchase of Real Properties (meaning real properties or specified assets secured mainly by real properties) that meet certain conditions (such sale and purchase hereinafter, the "Permitted Purchase and Sale of Real Properties") during the period from the execution of the Merger Agreement to the effective date of the Merger, and that the Permitted Purchase and Sale of Real Properties may be conducted without the prior consent of MMI. For more details on the Permitted Purchase and Sale of Real Properties, please refer to "2. Summary of the contents of the Merger Agreement" above.

Regardless of whether or not the Permitted Purchase and Sale of Real Properties is implemented, the allocation of investment units under the Merger is as stated in "(a) Number of investment units of JRF or amount of money to be allocated for each investment unit of MMI" above. The implementation or non-implementation of the Permitted Purchase and Sale of Real Properties has been taken into account when conducting calculations for the allocation of investment units under the Merger as stated in this "(b) Basis for Calculation".

(Note 3) In preparing the written merger ratio calculation report, SMBC Nikko Securities assumed the accuracy and completeness of all documents and information upon which it was based, and neither independently verified the accuracy and completeness of them nor assumes responsibility or liability for such verification. SMBC Nikko Securities neither conducted an independent evaluation, appraisal or assessment nor requested a third-party institution to evaluate, appraise or assess the assets and liabilities of JRF and MMI. The results of the financial analysis may greatly differ if a defect is found in the accuracy and completeness of such documents and information. In addition, SMBC Nikko Securities assumed that there were no undisclosed debts and credits relating to lawsuits, conflicts, environment, tax and other contingent liabilities and off-balance-sheet liabilities, and any other facts that could have a material impact on the written merger ratio calculation report in relation to JRF and MMI. It is assumed that the business plans and financial forecasts provided to SMBC Nikko Securities by JRF and MMI were prepared by JRF and MMI respectively based on the best forecasts and judgments as of the valuation reference date, in accordance with the reasonable and appropriate procedures. In the written merger ratio calculation report, SMBC Nikko Securities could possibly have conducted analysis by making certain assumptions based on the provided documents and information, on the condition that such provided documents and information and assumptions were accurate and reasonable. SMBC Nikko Securities neither independently verified the accuracy, appropriateness and feasibility of these assumptions nor assumes responsibility and liability for such verification. SMBC Nikko Securities has provided the results of the financial analysis to MMI in response to the request of MMI for the sole purpose of assisting the board of directors of MMI to assess the merger ratio. SMBC Nikko Securities has not expressed its opinion about the fairness of the merger ratio through the results of the financial analysis.

(c) Background to Calculations

As a result of discussions and negotiations over an extended period comprehensively taking into consideration such factors as the financial performance and state of the assets and liabilities of each of JRF and MMI, their future business prospects, the merits of the Merger and the results of the financial analyses performed by their respective financial advisors, JRF and MMI determined that the above merger ratios are fair and executed the Merger Agreement.

(d) Relationships with the Financial Advisors

Neither Mitsubishi UFJ Morgan Stanley Securities nor SMBC Nikko Securities is deemed a related party of JRF or MMI pursuant to Article 67, Paragraph 4 of the Ordinance on Accounting at Investment Corporations (the “Investment Corporations Accounting Ordinance”) and neither has any material interests to be disclosed with respect to the Merger.

(e) Measures to Ensure Fairness

i. Measures to ensure fairness in assessing the propriety of the Merger and the merger ratio

Each of JRF and MMI is entrusting its asset management functions to MCUBSR. MCUBSR has organized the responsible managers (JRF: Head of Retail Division and MMI: Head of Office Division) and asset management divisions (JRF: Retail Division and MMI: Office Division) consisting of different members for each of JRF and MMI individually in assessing the Merger and providing advice and support to the board of directors of JRF and MMI, and established a complete system to block transmission of information by setting up an appropriate information wall between each of the asset management division. In addition, when it is necessary to communicate information causing concerns over conflict of interest between each of the asset management division in the course of assessing the Merger, such information is communicated through each of the abovementioned financial advisors appointed by each of JRF and MMI individually, in order to prevent asset management divisions from having direct contact with each other.

In the course of assessing the Merger, each responsible manager and each of the asset management division reported on a timely basis the status of its assessment to the board of directors of JRF and MMI each composed of one executive director (who is not holding another position as an officer or employee of the asset management company) and supervisory directors (JRF: two persons and MMI: three persons), whose independence from the asset management company is ensured in terms of the Investment Trust Act, and all material matters of its assessments were deliberated and approved by the board of directors of JRF and MMI.

In connection with the Merger, MCUBSR will receive merger fees and management fees relating to the management after the Merger becomes effective from JRF, which will be the surviving investment corporation in the Merger, pursuant to the provisions of JRF's Articles of Incorporation and the asset management agreement with JRF, but the amount of both fees will not be affected by the merger ratio of the Merger. On the other hand, MCUBSR has agreed with MMI not to receive any merger fees from MMI in connection with the Merger.

Furthermore, JRF appointed Anderson Mori & Tomotsune, and MMI appointed Mori Hamada & Matsumoto, respectively, as its legal advisor for the Merger, and received advice concerning the methodology and process relating to the procedures and decision-making process for the Merger.

ii. Measures to ensure fairness in the calculation of the merger ratio

As discussed in (a) through (c) above, each of JRF and MMI has requested its respective financial advisor to perform financial analysis in regard to the merger ratio and the merger ratio was determined by comprehensively taking into account the results of such analyses together with other factors.

In order to ensure the fairness of the Merger and for the benefit of its unitholders, JRF obtained from Mitsubishi UFJ Morgan Stanley Securities, an independent third-party financial advisor, a merger ratio calculation report providing an analysis from a financial perspective based on certain assumptions in regard to the allocation of investment units under the Merger.

Given the above, JRF's board of directors concluded that sufficient measures have been taken to ensure the fairness of the Merger.

In order to ensure the fairness of the Merger and for the benefit of its unitholders, MMI obtained from SMBC Nikko Securities, an independent third-party financial advisor, a merger ratio calculation report providing an analysis from a financial perspective based on certain assumptions in regard to the allocation of investment units under the Merger.

Given the above, MMI's board of directors concluded that sufficient measures have been taken to ensure the fairness of the Merger.

JRF and MMI did not, however, obtain written opinions (so-called "fairness opinions") from their respective financial advisors to the effect that the merger ratio is reasonable from a financial perspective for their respective unitholders.

(ii) Matters regarding appropriateness of provisions for unitholders' capital of the surviving corporation in the absorption-type merger

The total amount of unitholders' capital and the capital surplus of JRF to be added at the time of the Merger will be as set forth below (although it should be noted that JRF and MMI may make amendments to such amounts upon discussion and agreement in consideration of the financial conditions of JRF and MMI on the date before the effective date of the Merger).

(a) Total amount of Unitholders' capital: JPY 0

(b) Capital surplus: An amount calculated by subtracting (a) from the amount of change in unitholders' capital, as determined pursuant to Paragraph 1, Article 22 of the Investment Corporations Accounting Ordinance

(2) Matters concerning the dissolving corporation in the absorption-type merger

(i) Details of financial statements, asset management reports, and financial statements of cash distributions pertaining to the most recent fiscal period

As described in Attachment 2 hereto.

(ii) Details of material asset disposals, assumption of material debts and other events that materially affect the condition of assets after the last day of the final fiscal period

None.

(3) Matters concerning the surviving corporation in the absorption-type merger

(i) Details of the material asset disposals, assumption of material debts and other events that materially affect the condition of assets after the last day of the final fiscal period

(a) Investment Unit Split

JRF has resolved at its Board of Directors' Meeting held on August 28, 2020 to implement the Investment Unit Split as described below.

i. Purpose of the split

The Merger is an absorption-type merger, in which JRF is the surviving corporation, and the merger ratio before considering the Investment Unit Split is 0.5:1 (MMI: JRF). With this ratio, however, a number of MMI unitholders would receive less than one investment unit of JRF. Therefore, a two-for-one investment unit split for investment units of JRF will be implemented in order that at least one investment unit of JRF will be allocated to all of MMI unitholders so that MMI unitholders will be able to continue to hold JRF investment units after the Merger.

ii. Method of the split

Investment units held by the unitholders stated or recorded in the final unitholders register on February 28, 2021, the date before the effective date of the Merger will be split in the ratio of

2 investment units to 1 Investment Unit. The Investment Unit Split will take effect on March 1, 2021, which is the effective date of the Merger under the condition that the Merger Agreement has not been canceled.

(b) Disposition of assets

JRF disposed of the following asset on March 2, 2020:

Name of property: Ito-Yokado Nishikicho

Disposed asset: Trust beneficiary right in real estate (40% quasi-co-ownership interest)

Disposition price: 5,800 million yen

Contract date: May 29, 2019

Disposition date: March 2, 2020

Purchaser: Mitsubishi Corporation Urban Development, Inc.

(c) Repurchase and cancellation of own investment units

At the Board of Directors' Meeting held on April 13, 2020, JRF decided on the matters related to the repurchase of own investment units as follows, and cancelled all own investment units repurchased pursuant to Article 80-2 of the Investment Trust Act, which is applied mutatis mutandis pursuant to Article 80-5, Paragraph 2 of the that Act.

i. Reasons for the repurchase of own investment units

Amid a significant decline in the price of JRF investment units due to the spread of the novel coronavirus, JRF determined that enhancing returns to investors by improving capital efficiency through the repurchase and cancellation of own investment units would lead to an increase in unitholders value, taking into account the status of cash in hand, the financial situation and the market environment.

ii. Details of matters relating to the repurchase of own investment units

Total number of investment units to be repurchased: 25,000 units (maximum)

Total repurchase price of investment units: 2,000,000,000 yen (maximum)

Repurchase period: From April 14, 2020 to June 5, 2020

Repurchase method: Market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract for the repurchase of own investment units with a securities company

iii. Repurchase of own investment units during the entire repurchase period

Total number of investment units repurchased: 15,534 units

Total repurchase price of investment units: 1,999,863,487 yen

Repurchase period: From April 14, 2020 to June 5, 2020 (on a contract date basis)

Repurchase method: Market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract for the repurchase of own investment units with a securities company

iv. Cancellation of own investment units

Pursuant to Article 80, Paragraph 2 and Paragraph 4 of the Investment Trust Act, JRF cancelled all of its own investment units repurchased (0.59% of the total number of issued investment units before cancellation) on August 18, 2020.

(d) Acquisition of assets

JRF acquired the following asset on August 31, 2020:

Name of property: G-Bldg. Tenjin Nishi-dori 02 (located at 12-64, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka)

Acquired asset: Trust beneficiary right in real estate

Acquisition price: 5,000 million yen

Contract date: August 31, 2020

Acquisition date: August 31, 2020

Seller: Not disclosed (Note)

(Note) Not disclosed as the seller has not agreed to the disclosure.

Resolution Proposal 2 Partial amendments to the Articles of Incorporation

1. Reasons for amendments

(Unless otherwise specified, the clause numbers of the Articles of Incorporation indicated in this section refer to the clause numbers of the current Articles of Incorporation.)

(1) We will amend Article 1 in order to change its trade name to "Japan Metropolitan Fund Investment Corporation" as of the effective date of the Merger with the aim of converting into a diversified REIT whose core assets are mainly retail facilities, office buildings, residences, hotels and mixed-use properties for these purposes.

(2) Although JRF had mainly invested in retail facilities or specified assets backed by retail facilities, we will amend Article 14, Paragraph 1, Paragraph 2, Paragraph 3 and Paragraph 6 in order to mainly invest in retail facilities, office buildings, residences, hotels and mixed-use properties for those purposes (core assets) or specified assets backed by core assets upon the Merger.

(3) As the Merger will expand the asset size and also the balance of borrowing and investment corporation bonds, we will amend Article 23 in order to change the limits for borrowing and issuance of investment corporation bonds to two trillion yen and the aggregate amount thereof to less than two trillion yen.

(4) In response to increasing role and responsibility of the accounting auditors, based on that the number of properties will increase as a result of the Merger and audit activities will also increase, we will amend Article 31 in order to change the maximum amount of the fees for accounting auditors so that we will be able to adjust the fees for the accounting auditors to a level appropriate for the assigned audit services.

(5) We will stipulate in the supplementary provision that the amendments to the Articles of Incorporation in (1) through (4) above will take effect on the condition that the Merger takes effect.

2. Details of amendments

The details of amendments are as follows. (The amended parts are underlined.)

Current Articles	Proposed Amendment
Article 1 Corporate Name The name of the Investment Corporation in Japanese shall be *Nihon Riteru Fando Toshi Hojin*. In English, the Investment Corporation shall be called Japan Retail Fund Investment Corporation.	**Article 1** Corporate Name The name of the Investment Corporation in Japanese shall be *Nihon Toshi Fando Toshi Hojin*. In English, the Investment Corporation shall be called Japan Metropolitan Fund Investment Corporation.
Article 14 Investment Policy 1. The Investment Corporation shall principally invest in retail facilities, either directly or through Specified Assets principally backed by retail facilities. Especially, the Investment Corporation shall focus on investment in retail facilities located in urban areas, while retail facilities located in the suburbs shall also be its investment targets. 2. In order to reduce the effect of risks such as regional economic risk and earthquakes risk which increases by converging to a specific region in locations of retail facilities in which the Investment Corporation is to own directly or through Specified Assets, the Investment Corporation shall regularly review the relevant information and disperse locations of retail facilities on the basis of their geographic position. 3. As a general rule, the Investment Corporation shall lease its retail facilities and other real estate, either directly or through Specified Assets, by entering into a lease contract	**Article 14** Investment Policy 1. The Investment Corporation shall principally invest in retail facilities, office buildings, residences, hotels and mixed-use properties for these purposes (collectively referred to as "Core Assets"), either directly or through Specified Assets principally backed by Core Assets. Especially, the Investment Corporation shall focus on investment in Core Assets located in urban areas, while Core Assets located in the suburbs shall also be its investment targets. 2. In order to reduce the effect of risks such as regional economic risk and earthquakes risk which increases by converging to a specific region in locations of Core Assets in which the Investment Corporation is to own directly or through Specified Assets, the Investment Corporation shall regularly review the relevant information and disperse locations of Core Assets on the basis of their geographic position. 3. As a general rule, the Investment Corporation shall lease its Core Assets and other real estate, either directly or through Specified Assets, by entering into a lease contract

Current Articles	Proposed Amendment
pursuant to the basic policy set forth in Article 11. Further, in relation to such lease, the Investment Corporation shall endeavor to secure stable profits by carefully examining the financial position, operating results and industry potential of the lessee. In addition, the Investment Corporation may also lend other managed assets. 4.~5. (Omitted) 6. The Investment Corporation shall, when it acquires properties other than <u>retail facilities</u> which it deems to be appropriate, also strive to ensure stable profits with respect to those properties. 7. (Omitted)	pursuant to the basic policy set forth in Article 11. Further, in relation to such lease, the Investment Corporation shall endeavor to secure stable profits by carefully examining the financial position, operating results and industry potential of the lessee. In addition, the Investment Corporation may also lend other managed assets. 4. ~5. (Same as the current articles) 6. The Investment Corporation shall, when it acquires properties other than <u>Core Assets</u> which it deems to be appropriate, also strive to ensure stable profits with respect to those properties. 7. (Same as the current articles)
Article 23 Limits for Borrowing and Issuance of Investment Corporation Bonds Borrowing and issuance of investment corporation bonds are limited to <u>one</u> trillion (<u>1</u>,000,000,000,000) yen respectively and the aggregate amount thereof shall not exceed <u>one</u> trillion (<u>1</u>,000,000,000,000) yen.	**Article 23** Limits for Borrowing and Issuance of Investment Corporation Bonds Borrowing and issuance of investment corporation bonds are limited to <u>two</u> trillion (<u>2</u>,000,000,000,000) yen respectively and the aggregate amount thereof shall not exceed <u>two</u> trillion (<u>2</u>,000,000,000,000) yen.

Current Articles	Proposed Amendment
Article 31 Fees for Accounting Auditor The Investment Corporation shall pay fees for the accounting auditor within one (1) month of the receipt of all of the audit reports which are required under the Investment Trust Act or other laws or regulations in an amount set by the board of directors that is no more than 25 million yen for each accounting period subject to audit.	**Article 31** Fees for Accounting Auditor The Investment Corporation shall pay fees for the accounting auditor within one (1) month of the receipt of all of the audit reports which are required under the Investment Trust Act or other laws or regulations in an amount set by the board of directors that is no more than 30 million yen for each accounting period subject to audit.
Supplementary Provision 1. The amendment to Article 29 shall come into effect on March 1, 2020.	**Supplementary Provision** 1. The amendments to these Articles of Incorporation shall take effect on the effective date of the merger pursuant to the Merger Agreement dated August 28, 2020 by and between the Investment Corporation and MCUBS MidCity Investment Corporation, on the condition that the merger between the Investment Corporation and MCUBS MidCity Investment Corporation, with the Investment Corporation being the surviving corporation and MCUBS MidCity Investment Corporation being the dissolving corporation, takes effect. This Supplementary Provision shall be deleted after the amendments to these Articles of Incorporation under this Supplementary Provision take effect.

Reference Material

Regarding proposals to be submitted to the General Meeting of Unitholders, “Deemed Approval” which is stipulated under Article 93, Paragraph 1 of the Investment Trust Act and Article 48 of the current Articles of Incorporation, shall not be applied to any of the proposals concerned if there are proposals that are conflicting with each other. JRF believes that Proposal No.1 and No.2 do not present any conflict.

END

MERGER AGREEMENT

Japan Retail Fund Investment Corporation (“JRF”) and MCUBS MidCity Investment Corporation (“MMI”) enter into this merger agreement (the “Agreement”) as follows in relation to the merger between JRF and MMI (the “Merger”).

Article 1 Method of the Merger

In accordance with the provisions of this Agreement, JRF and MMI shall implement an absorption-type merger with JRF as the surviving corporation and MMI as the dissolving corporation under Article 147 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “Investment Trusts Act”).

Article 2 Names and addresses of merging parties

The names and addresses of the surviving corporation and the dissolving corporation are as follows.

(1) Name and address of the surviving corporation

Name: Japan Retail Fund Investment Corporation

Address: Tokyo Building 7-3, Marunouchi 2-chome, Chiyoda-ku Tokyo

(2) Name and address of the dissolving corporation

Name: MCUBS MidCity Investment Corporation

Address: 2-7-3, Marunouchi, Chiyoda-ku, Tokyo

Article 3 Split of JRF’s investment units

Subject to satisfaction of all conditions precedent set forth in Article 13, JRF shall split the investment units owned by the unitholders stated or recorded on the final unitholders register of JRF as of the day immediately preceding the effective date of the Merger (“Effective Date”) into 2 investment units for every one investment unit on the Effective Date (“Investment Unit Split”).

Article 4 Method for calculating the number of investment units to be issued and allotted at the time of the Merger and matters regarding the allotment

4.1 At the time of the Merger, JRF shall issue new investment units after the split in accordance with Article 3 in such number as is calculated by multiplying by one the aggregate number of investment units in MMI owned by the unitholders stated or recorded in the final unitholders register of MMI as of the day immediately preceding the Effective Date (excluding JRF, MMI, and the unitholders of MMI who have requested the purchase of their investment units in accordance with the provisions of Article 149-3 of the Investment Trusts Act (except for the unitholders who have withdrawn such request for the purchase); the “Allotted Unitholders”), and shall allot and deliver to the Allotted Unitholders one investment unit in JRF after the split in accordance with Article 3 per one investment unit in MMI owned by the Allotted Unitholders. In this case, however, the effect of the allotment and delivery, as well as the Merger, shall be subject to the condition precedent that the Investment Unit Split takes effect on the Effective

Date, and if the Investment Unit Split does not take effect on the Effective Date, JRF and MMI shall consult in good faith and reach an agreement for changing the Effective Date specified in Article 6 and for taking other necessary measures for the Merger to take effect.

4.2 In the case of the preceding paragraph, if there is any fraction of less than one investment unit in the investment units in JRF to be allotted to the Allotted Unitholders, JRF shall treat such fraction in accordance with the provisions of Article 149-17 of the Investment Trusts Act.

Article 5 Matters regarding total unitholders' capital of the surviving corporation

The amount by which the total unitholders' capital and the capital surplus of JRF will increase upon the Merger shall be as follows; provided, however, that JRF and MMI may change such amount upon agreement through consultation, taking into consideration the financial conditions of JRF and MMI on the day immediately preceding the Effective Date.

(1) Unitholders' Capital: 0 yen

(2) Capital Surplus: The amount obtained by deducting the amount set out in the preceding item from the amount of increase or decrease in the unitholders' equity, etc., set out in Article 22, Paragraph 1 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended)

Article 6 Effective Date

The effective date of the Merger shall be March 1, 2021; provided, however, that JRF and MMI may change the Effective Date upon agreement through consultation, if necessary in order to complete the procedures for the Merger or for any other reason.

Article 7 General meeting of unitholders

7.1 JRF shall hold a general meeting of unitholders on October 23, 2020 or a date separately determined by JRF and MMI upon agreement, and request such general meeting of unitholders to approve (i) this Agreement, in accordance with the provisions of Article 149-7, Paragraph 1 of the Investment Trusts Act, (ii) amendments to the Articles of Incorporation as set forth in Exhibit 7.1 as of the Effective Date subject to the Merger taking effect, and (iii) other proposals separately determined by JRF and MMI upon agreement.

7.2 MMI shall hold a general meeting of unitholders on October 22, 2020 or a date separately determined by JRF and MMI upon agreement, and request such general meeting of unitholders to approve (i) this Agreement, in accordance with the provisions of Article 149-2, Paragraph 1 of the Investment Trusts Act, (ii) termination of the asset management agreement as of the Effective Date subject to the Merger taking effect, (iii) amendments to the Articles of Incorporation as set forth in Exhibit 7.2 subject to the approval of the proposal to approve this Agreement set forth in item (i) of the preceding paragraph at a general meeting of unitholders of JRF and the approval of the proposal to approve this Agreement set forth in item (i) of this paragraph at a general meeting of unitholders of MMI , and (iv) other proposals separately determined by JRF and MMI upon agreement.

Article 8 Post-merger trade name and related entities, etc. of JRF

8.1 JRF's post-merger trade name shall be Japan Metropolitan Fund Investment Corporation.

8.2 JRF's asset manager (which shall mean an asset manager as referred to in Article 2, Paragraph

21 of the Investment Trusts Act; the same hereinafter), asset custody company (which shall mean an asset custody company as referred to in Article 2, Paragraph 22 of the Investment Trusts Act; the same hereinafter), administrative agent (which shall mean an administrative agent as referred to in Article 2, Paragraph 23 of the Investment Trusts Act to which the services set out in each item of Article 117 of the Investment Trusts Act shall be entrusted; the same hereinafter), and accounting auditor shall not be changed upon the Merger; provided, however, that agreements with, among other MMI's administrative agents, Mitsubishi UFJ Trust and Banking Corporation ("MUTB") as a special account manager, and agreements with administrative agents with respect to investment corporation bonds shall be succeeded to by JRF upon the Merger, and MUTB and the administrative agents with respect to such investment corporation bonds shall become JRF's administrative agents.

8.3 Subject to the effectiveness of the Merger, MMI shall, upon the Effective Date, terminate MMI's asset management agreement with its asset manager, asset custody agreement with its asset custody company and administration agreements with its administrative agents (excluding MUTB as a special account manager and the administrative agents with respect to investment corporation bonds), and any other agreement separately determined by JRF and MMI upon agreement; provided, however, that JRF shall succeed to the obligations of MMI to pay the fees that have to be paid under the agreements set forth in this paragraph that have not been paid as of the Effective Date.

8.4 Notwithstanding the preceding three paragraphs, JRF and MMI may change the provisions thereof upon agreement through consultation.

Article 9 Payment upon the merger

In lieu of cash distribution to the unitholders of MMI for MMI's fiscal period ending on the day immediately preceding the Effective Date (distribution of profits), JRF shall make a payment to the Allotted Unitholders upon the merger. The amount of such payment shall be calculated by the following formula (with any fractional amount of less than one yen to be rounded down) per one investment unit in MMI owned by the Allotted Unitholders, and within a period after the Effective Date that is reasonable in consideration of the determination of profit for that fiscal period of MMI, the process of rendering payment upon the merger, and other factors:

$$\text{Amount of payment upon the merger per one investment unit} = \frac{\text{Distributable profit of MMI as of the day immediately preceding the Effective Date}}{\text{Outstanding investment units in MMI as of the day immediately preceding the Effective Date}}$$

In the formula set out above, the term "Distributable profit of MMI as of the day immediately preceding the Effective Date" shall mean the amount of profits as set forth in Article 136, Paragraph 1 of the Investment Trust Act, and the term "Outstanding investment units in MMI as of the day immediately preceding the Effective Date" shall mean the number of investment units calculated by deducting the number of investment units held by the unitholders of MMI other than the Allotted Unitholders from the outstanding number of investment units in MMI as of the day immediately preceding the Effective Date.

Article 10 Cash distribution

10.1 Until the Effective Date, JRF shall not pay any cash distribution to its unitholders (except for the cash distribution paid to unitholders or investment unit pledge holders stated or recorded on the final unitholders register of JRF as of the August 31, 2020, the amount of which shall be up to the amount of distributable profits (which means the amount of profits as set forth in Article 136, Paragraph 1 of the Investment Trusts Act) for the fiscal period ending August 31, 2020) or purchase investment units for consideration by agreement with any unitholder.

10.2 Until the Effective Date, MMI shall distribute 3,655,672,125 yen in total (2,049 yen per one investment unit) to unitholders or investment unit pledge holders stated or recorded on the final unitholders register of MMI as of June 30, 2020 as cash distributions for the fiscal period ended on June 30, 2020, and except for such cash distributions and, if the proposal set forth in Article 7, Paragraph 2, item (iii) are rejected, cash distributions to unitholders or investment unit pledge holders stated or recorded on the final unitholders register of MMI as of December 31, 2020, the amount of which shall be up to the amount of distributable profits (which means the amount of profits as set forth in Article 136, Paragraph 1 of the Investment Trust Act) for the fiscal period ending December 31, 2020, shall not pay any cash distributions to any unitholder or purchase investment units for consideration by agreement with any unitholder.

10.3 Notwithstanding the preceding two paragraphs, if the Effective Date is changed to a date after March 1, 2021, JRF and MMI will determine the treatment of cash distributions upon agreement through consultation.

Article 11 Succession of corporate property

On the Effective Date, JRF shall succeed to any and all assets, liabilities, rights and obligations of MMI existing as of the Effective Date.

Article 12 Covenants

12.1 From the execution date of this Agreement to the Effective Date, JRF and MMI shall each conduct their respective businesses and manage and operate their respective properties with the due care of a prudent manager, and cause their respective asset managers, asset custody companies, administrative agents, and other third parties to do the same, and shall obtain the prior consent of the other party before taking any action that might materially affect their respective assets, rights or obligations (including, but not limited to, issuance of investment units, issuance of investment corporation bonds (excluding any issuance of investment corporation bonds to pay existing loans), incurrence of new borrowings (excluding any borrowing to pay existing loans), or entering into or performing a sale or purchase agreement for Real Properties (meaning real properties or specified assets secured mainly by real properties; hereinafter the same)), unless otherwise expressly provided for herein or in any other agreement executed as of the execution date of this Agreement. JRF and MMI shall confirm with each other that JRF may enter into or perform any agreement pertaining to the sale and purchase of the Real Properties set forth in Exhibit 12 (limited to the execution and performance of agreements pertaining to the sale and purchase of Real Properties which are judged to be reasonable in light of the duty of care of a prudent manager owed by JRF's asset manager to JRF; the "Permitted Purchase and Sale of Real Properties") during the period from the execution date of this Agreement to the Effective Date, and that the Permitted Purchase and Sale of Real Properties may be conducted without the prior consent of MMI.

12.2 JRF and MMI shall immediately give notice to the other party, if, during the period on or before the Effective Date, either party learns of any event which may reasonably have a material impact on their business, financial condition, or the Merger (including, but not limited to, an event such as a breach of any loan agreement, breach of law or ordinance by JRF or MMI, or a matter indicated by the relevant authorities). In this case, JRF and MMI shall discuss and consider how to deal with such event in good faith and shall use best efforts to resolve such issues.

Article 13 Conditions for the Merger

If any of the following conditions precedent to the Merger is not satisfied as of the day immediately before the Effective Date, or if it becomes clear that any of such conditions precedent to the Merger will not be satisfied on or before the day immediately preceding the Effective Date (in both cases, except if either party fails to satisfy the conditions precedent due to a reason attributable to itself or its asset manager), then either party may cancel this Agreement without assuming any liability or payment obligation to the other party by giving written notice to the other party before the Effective Date (except for any liability or payment obligation owed by the party which provided such notice pursuant to breach of any other provision of this Agreement):

(1) approval at the general meetings of unitholders of both JRF and MMI (including, but not limited to, approvals for proposals set forth in Article 7, Paragraph 1 and Paragraph 2 (excluding item (iii))) and other procedures pursuant to applicable laws and ordinances have been completed, and all necessary permits and approvals have been obtained, as required in relation to the Merger or in order to implement the matters contemplated in connection with the Merger;

(2) neither JRF nor MMI is in breach of a contractual obligation (including those under this Agreement) or financial covenant or delayed in payment of a monetary debt (including taxes and other public charges); provided, however, that minor breaches and delays in payment shall be excluded;

(3) there is no occurrence of any acceleration event (including any event that would constitute an acceleration event either with the passage of time or notice, or both), suspension of payments, or insolvency by JRF or MMI;

(4) consent has been obtained from each financial institution lending money to JRF or MMI with respect to conducting the Merger and the basic borrowing conditions applicable on or after the effective date of the Merger (for each loan agreement, including necessary measures so that no breach of financial covenant clause, breach of covenant clause, or acceleration event attributable to JRF occurs after the Merger), and such consent has not been withdrawn;

(5) no petition for the commencement of bankruptcy procedures, civil rehabilitation procedures, or any other similar legal insolvency procedures is filed with respect to JRF or MMI;

(6) JRF and MMI, as well as the asset manager of JRF and MMI, have not been subject to revocation of registration by a supervisory agency, suspension of all or a part of its business, or other administrative disposition that materially impairs, or has a materially adverse effect on, the implementation of the Merger; and

(7) in addition to the above, there is no event which is reasonably judged to materially impede the Merger or to make it impracticable.

Article 14 Change of conditions for the Merger and termination of this Agreement

14.1 If, during the period from the execution date of this Agreement to the Effective Date, (i) there is any material change in the assets or the business condition of JRF or MMI, (ii) it is reasonably concluded that the implementation of the Merger has become impossible or impracticable, (iii) it becomes difficult to achieve the purpose of the Merger for any other reason, or (iv) it becomes clear that there are grounds to believe that any of the above circumstances may arise, then JRF and MMI may, upon agreement through consultation in good faith, change the conditions of the

Merger or any other provisions of this Agreement, or terminate this Agreement. For the avoidance of doubt, JRF and MMI shall confirm with each other that the Permitted Purchase and Sale of Real Properties does not fall under any of the circumstances set forth in this article.

14.2 The provisions of this paragraph and Articles 16 through 18 shall survive even if this Agreement is terminated pursuant to the preceding article or the preceding paragraph.

Article 15 Announcements

In the event JRF or MMI makes a public announcement in relation to the Merger such as the execution of this Agreement, its contents, or otherwise, the party shall make such announcement only with the prior consent of the other party hereto as to the announcement’s content, timing, method, etc.

Article 16 Costs and expenses

Each of JRF and MMI shall be responsible for its own expenses incurred by each of them before the Effective Date relating to the execution and performance of this Agreement (including, but not limited to, fees to legal counsels, certified public accountants, tax accountants, research companies, advisers and other experts appointed by each of them), and each of JRF and MMI shall record the expenses that it is responsible for as expenses for the fiscal period ending before the Effective Date; provided, however that this shall not apply to the expenses to be separately discussed and agreed upon between JRF and MMI.

Article 17 Governing law

This Agreement shall be governed by and construed in accordance with the laws of Japan.

Article 18 Jurisdiction

JRF and MMI agree that the Tokyo District Court shall be the court of first instance having exclusive jurisdiction in any dispute related to this Agreement.

Article 19 Good faith consultation

Any necessary matters concerning the Merger as well as those provided for in this Agreement shall be separately determined through mutual consultation by JRF and MMI in accordance with the purpose of this Agreement.

(The remainder of this page has been intentionally left blank.)

This Agreement has been prepared in two originals, to which each of JRF and MMI shall affix its name and seal and retain one original.

August 28, 2020

JRF Japan Retail Fund Investment Corporation

Tokyo Building 7-3, Marunouchi 2-chome, Chiyoda-ku Tokyo

Executive Director Shuichi Namba

MMI MCUBS MidCity Investment Corporation

2-7-3, Marunouchi, Chiyoda-ku, Tokyo

Executive Director Katsuhiro Tsuchiya

Proposed Amendments to the Articles of Incorporation

(Amended parts are underlined.)

Current Articles	**Proposed Amendment**
Article 1 Corporate Name The name of the Investment Corporation in Japanese shall be *Nihon Riteru Fando Toshi Hojin*. In English, the Investment Corporation shall be called Japan Retail Fund Investment Corporation.	Article 1 Corporate Name The name of the Investment Corporation in Japanese shall be *Nihon Toshi Fando Toshi Hojin*. In English, the Investment Corporation shall be called Japan Metropolitan Fund Investment Corporation.
Article 14 Investment Policy 2. The Investment Corporation shall principally invest in retail facilities, either directly or through Specified Assets principally backed by retail facilities. Especially, the Investment Corporation shall focus on investment in retail facilities located in urban areas, while retail facilities located in the suburbs shall also be its investment targets.	Article 14 Investment Policy 1. The Investment Corporation shall principally invest in retail facilities, office buildings, residences, hotels and mixed-use properties for these purposes (collectively referred to as “Core Assets”), either directly or through Specified Assets principally backed by Core Assets. Especially, the Investment Corporation shall focus on investment in Core Assets located in urban areas, while Core Assets located in the suburbs shall also be its investment targets.
2. In order to reduce the effect of risks such as regional economic risk and earthquakes risk which increases by converging to a specific region in locations of retail facilities in which the Investment Corporation is to own directly or through Specified Assets, the Investment Corporation shall regularly review the relevant information and disperse locations of retail facilities on the basis of their	2. In order to reduce the effect of risks such as regional economic risk and earthquakes risk which increases by converging to a specific region in locations of Core Assets in which the Investment Corporation is to own directly or through Specified Assets, the Investment Corporation shall regularly review the relevant information and disperse locations of Core Assets on the basis of their geographic

Current Articles	Proposed Amendment
geographic position.	position.
3. As a general rule, the Investment Corporation shall lease its <u>retail facilities</u> and other real estate, either directly or through Specified Assets, by entering into a lease contract pursuant to the basic policy set forth in Article 11. Further, in relation to such lease, the Investment Corporation shall endeavor to secure stable profits by carefully examining the financial position, operating results and industry potential of the lessee. In addition, the Investment Corporation may also lend other managed assets.	3. As a general rule, the Investment Corporation shall lease its <u>Core Assets</u> and other real estate, either directly or through Specified Assets, by entering into a lease contract pursuant to the basic policy set forth in Article 11. Further, in relation to such lease, the Investment Corporation shall endeavor to secure stable profits by carefully examining the financial position, operating results and industry potential of the lessee. In addition, the Investment Corporation may also lend other managed assets.
4. (Omitted)	4. (Same as the current articles)
5. (Omitted)	5. (Same as the current articles)
6. The Investment Corporation shall, when it acquires properties other than <u>retail facilities</u> which it deems to be appropriate, also strive to ensure stable profits with respect to those properties.	6. The Investment Corporation shall, when it acquires properties other than <u>Core Assets</u> which it deems to be appropriate, also strive to ensure stable profits with respect to those properties.
7. (Omitted)	7. (Same as the current articles)
Article 23 Limits for Borrowing and Issuance of Investment Corporation Bonds	Article 23 Limits for Borrowing and Issuance of Investment Corporation Bonds
Borrowing and issuance of investment corporation bonds are limited to <u>one</u> trillion (<u>1</u>,000,000,000,000) yen respectively and the aggregate amount thereof shall not exceed <u>one</u> trillion (<u>1</u>,000,000,000,000) yen.	Borrowing and issuance of investment corporation bonds are limited to <u>two</u> trillion (<u>2</u>,000,000,000,000) yen respectively and the aggregate amount thereof shall not exceed <u>two</u> trillion (<u>2</u>,000,000,000,000) yen.
Article 31 Fees for Accounting Auditor	Article 31 Fees for Accounting Auditor
The Investment Corporation shall pay fees for the accounting auditor within one (1) month of	The Investment Corporation shall pay fees for the accounting auditor within one (1) month of

Current Articles	Proposed Amendment
the receipt of all of the audit reports which are required under the Investment Trust Act or other laws or regulations in an amount set by the board of directors that is no more than 25 million yen for each accounting period subject to audit.	the receipt of all of the audit reports which are required under the Investment Trust Act or other laws or regulations in an amount set by the board of directors that is no more than 30 million yen for each accounting period subject to audit.
Supplementary Provision 1.The amendment to Article 29 shall come into effect on March 1, 2020.	Supplementary Provision 1.The amendments to these Articles of Incorporation shall take effect on the effective date of the merger pursuant to the Merger Agreement dated August 28, 2020 by and between the Investment Corporation and MCUBS MidCity Investment Corporation, on the condition that the merger between the Investment Corporation and MCUBS MidCity Investment Corporation, with the Investment Corporation being the surviving corporation and MCUBS MidCity Investment Corporation being the dissolving corporation, takes effect. This Supplementary Provision shall be deleted after the amendments to these Articles of Incorporation under this Supplementary Provision take effect.

Exhibit 7.2 (Proposed Amendments to MMI's Articles of Incorporation)

<u>Proposed Amendments to the Articles of Incorporation</u>

(Amended parts are underlined.)

<table>
<tr><th>Current Articles</th><th>Proposed Amendments</th></tr>
<tr><td>Article 33 (Settlement of Accounts)
The business periods of MCUBS MidCity shall be from <u>January</u> 1 to the last day of <u>June</u> and from <u>July</u> 1 to the last day of <u>December</u> every year (hereafter, the last day of the business periods each referred to as the "settlement of accounts")<u>.</u></td><td>Article 33 (Settlement of Accounts)
The business periods of MCUBS MidCity shall be from <u>March</u> 1 to the last day of <u>August</u> and from <u>September</u> 1 to the last day of <u>next February</u> every year (hereafter, the last day of the business periods each referred to as the "settlement of accounts")<u>; provided, however that the 29th business period shall be from July 1, 2020 to the last day of February 2021.</u></td></tr>
<tr><td>Article 36 (Standards of Payment of Asset Management Fees to Asset Management Company)
(1) Management Fee I
The amount arrived at when the total assets amount on balance sheets (limited to those approved pursuant to Article 131 of the ITL) at the most recent settlement of accounts of MCUBS MidCity is multiplied by a rate separately agreed upon by MCUBS MidCity and the asset management company of no more than 0.2% (rounded down to the nearest yen) shall be Management Fee I.</td><td>Article 36 (Standards of Payment of Asset Management Fees to Asset Management Company)
(1) Management Fee I
The amount arrived at when the total assets amount on balance sheets (limited to those approved pursuant to Article 131 of the ITL) at the most recent settlement of accounts of MCUBS MidCity is multiplied by a rate separately agreed upon by MCUBS MidCity and the asset management company of no more than 0.2% (rounded down to the nearest yen) shall be Management Fee I<u>; provided, however that, with respect to the 29th business period, the amount arrived at when the relevant amount is prorated by the actual days during the business period on the basis of a 184 days half year (rounded down to the nearest yen) shall be Management Fee I.</u></td></tr>
</table>

Current Articles	Proposed Amendments
Half of the amount of Management Fee I shall be paid by the settlement of accounts of MCUBS MidCity, and the remaining amount shall be paid no later than three months after the settlement of accounts of MCUBS MidCity.	Half of the amount of Management Fee I shall be paid by the settlement of accounts of MCUBS MidCity, and the remaining amount shall be paid no later than three months after the settlement of accounts of MCUBS MidCity.

Exhibit 12 (Permitted Purchase and Sale of Real Properties)

(1) Sale of one or more real properties that satisfy all of the following conditions:

(i) Such real properties fall under "sub-assets" as stated in JRF's asset management report for the 36^{th} fiscal period;

(ii) Gain on transfer is expected to accrue to JRF as a result of the sale of such real properties;

(iii) The ratio of the leasing business income of such real properties to the gross leasing business income for JRF's 36^{th} fiscal period (from September 1, 2019 to February 29, 2020; hereinafter the same) (in the case where two or more real properties are sold at the same time or at different times, the total of such ratios) is 2.5% or less; and

(iv) The ratio of the appraised value of such real properties as of the end of JRF's 36^{th} fiscal period (in the case where two or more real properties are sold at the same time or at different times, the total of such appraised values) to the total appraised value of all properties owned by JRF as of the end of the 36^{th} fiscal period is 2.5% or less.

(2) Purchase of one or more Real Properties that satisfy the following conditions:

The purchase price of such Real Properties (in the case where two or more Real Properties are purchased at the same time or at different times, the total of such prices) is (i) not more than the amount equivalent to 10% of the total assets of JRF as of the end of JRF's 36^{th} fiscal period, and (ii) not more than the amount of cash and deposits held by JRF as of the execution of this Agreement, less the purchase price of the real properties acquired by JRF pursuant to the sale and purchase agreements that have been executed as of the execution date of this Agreement (in the event of sale of the real properties set forth in (1) above, the amount obtained by adding (the total of) the amount of such sales proceeds to such amount).

Attachment 2

MCUBS MidCity Investment Corporation

(January 1, 2020 – June 30, 2020)

ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			24th	25th	26th	27th	28th
As of /for the six months ended			June 30, 2018	December 31, 2018	June 30, 2019	December 31, 2019	June 30, 2020
Operating revenues		(Millions of yen)	7,924	10,798	10,279	8,569	9,061
(Rental business revenues)		(Millions of yen)	(7,788)	(8,369)	(8,179)	(8,406)	(8,899)
Operating expenses		(Millions of yen)	4,555	5,470	4,641	4,585	4,785
(Rental business expenses)		(Millions of yen)	(3,786)	(4,128)	(3,682)	(3,729)	(3,849)
Operating income		(Millions of yen)	3,368	5,327	5,638	3,983	4,276
Ordinary income		(Millions of yen)	2,769	4,621	4,994	3,389	3,660
Net income		(Millions of yen)	2,767	4,620	4,994	3,388	3,657
Total assets		(Millions of yen)	272,674	280,790	274,736	301,075	301,502
(Period-on-period change)		(%)	(9.6)	(3.0)	(-2.2)	(9.6)	(0.1)
Net assets		(Millions of yen)	139,404	141,257	142,070	156,027	156,196
(Period-on-period change)		(%)	(9.1)	(1.3)	(0.6)	(9.8)	(0.1)
Interest-bearing liabilities	(Note 1)	(Millions of yen)	115,975	122,875	115,975	126,975	126,975
Unitholders' capital		(Millions of yen)	136,452	136,452	136,452	151,540	151,540
Number of units issued and outstanding		(Units)	1,643,125	1,643,125	1,643,125	1,784,125	1,784,125
Net asset value per unit		(Yen)	84,840	85,969	86,463	87,453	87,548
Total distributions		(Millions of yen)	2,767	4,181	4,520	3,487	3,655
Distribution per unit		(Yen)	1,684	2,545	2,751	1,955	2,049
(Profit distribution per unit)		(Yen)	(1,684)	(2,545)	(2,751)	(1,955)	(2,049)
(Distribution per unit in excess of profit)		(Yen)	(－)	(－)	(－)	(－)	(－)
Ratio of ordinary income to total assets	(Notes 2 and 3)	(%)	1.1 (2.1)	1.7 (3.3)	1.8 (3.6)	1.2 (2.3)	1.2 (2.4)
Return on unitholders' equity	(Notes 2 and 4)	(%)	2.1 (4.2)	3.3 (6.5)	3.5 (7.1)	2.3 (4.5)	2.3 (4.7)
Ratio of net assets to total assets	(Note 5)	(%)	51.1	50.3	51.7	51.8	51.8
(Period-on-period change)		(%)	(-0.2)	(-0.8)	(1.4)	(0.1)	(0.0)
Ratio of interest-bearing liabilities to total assets	(Note 6)	(%)	42.5	43.8	42.2	42.2	42.1
Payout ratio	(Note 7)	(%)	100.0	90.5	90.5	102.9	100.0
Additional information:							
Number of investment properties	(Note 8)	(Properties)	22	22	22	25	25
Total leasable area	(Note 9)	(m^2)	368,099.75	368,250.14	354,878.02	381,318.47	381,285.18
Number of tenants	(Note 10)	(Tenants)	413	427	371	411	407
Occupancy ratio	(Note 11)	(%)	98.1	98.5	99.4	98.6	98.5
Depreciation		(Millions of yen)	1,328	1,325	1,220	1,193	1,267
Capital expenditures		(Millions of yen)	597	582	750	1,235	1,002
Rental net operating income (NOI)	(Note 12)	(Millions of yen)	5,330	5,566	5,716	5,872	6,318

Note 1 "Interest-bearing liabilities" represents the total amount of short-term loans payable, long-term loans payable and investment corporation bonds (including current portion of each liability).

Note 2 Figures in parenthesis have been annualized using the number of days for each fiscal period.

Note 3 Ordinary income ÷ {(Total assets at beginning of period + Total assets at end of period) ÷ 2} × 100

Note 4 Net income ÷ {(Net assets at beginning of period + Net assets at end of period) ÷ 2} × 100

Note 5 Net assets at end of period ÷ Total assets at end of period × 100

Note 6 Interest-bearing liabilities at end of period ÷ Total assets at end of period × 100

Note 7 Distribution per unit ÷ net income per unit (not adjusted to reflect the Unit Split) × 100
Payout ratio for the 24th and the 27th fiscal period is calculated using the following formula because new investment units were issued.
Total distributions (excluding distributions in excess of profit) ÷ Net income × 100

Note 8 Number of investment properties does not include investments in Tokumei Kumiai (silent partnership) agreements.

Note 9 "Total leasable area" represents the total leasable floor space as of the end of each fiscal period. (Figures are for leasable units only and exclude the floor space for storage, halls, parking, etc., but include the floor space for common areas and parking, etc. when leased to tenants.) For the properties in which the Investment Corporation owns partial share of the trust beneficial interest, the leasable area calculated multiplying the total leasable area of each property by the share of quasi-co-ownership.

Note 10 "Number of tenants at end of period" 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 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 11 "Occupancy ratio" is the figure obtained by dividing the total leased area of respective properties at the end of each fiscal period by the total leasable area, and is expressed as a percentage.

Note 12 Operating income from property leasing activities (Rental business revenues – Rental business expenses) + Depreciation + Loss on disposal of property

2. Outline of asset management operation

(1) 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 December 31, 2019, 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.

(2) 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 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.

(3) Overview of Fund Procurement

(a) 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.

(b) Debt Financing

In the 28th fiscal period, MCUBS MidCity borrowed a total of ¥8,550 million on January 31, 2020 for refinancing. 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 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

(4) 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.

3. Changes in unitholders' capital

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 real 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 real 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. Number of outstanding units of the Investment Corporation after the unit split is 1,483,125 units.

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.

Fluctuation in market price of the investment unit:

The market price of the investment unit issued by the Investment Corporation listed on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)

Fiscal period	24th	25th	26th	27th	28th
As of /for the six months ended	June 30, 2018	December 31, 2018	June 30, 2019	December 31, 2019	June 30, 2020
Highest price	85,400	93,200	106,300	127,200	130,100
Lowest price	73,300	77,300	84,900	102,500	51,400

4. Distributions

In accordance with the distribution policy in the Investment Corporation's articles of incorporation, the Investment Corporation decided to distribute all of unappropriated retained earnings at the end of the period except for fractional distribution per unit less than one yen. As a result, cash distribution per unit for the six months ended June 30, 2020 amounted to ¥2,049.

Fiscal period		24th	25th	26th	27th	28th
As of /for the six months ended		June 30, 2018	December 31, 2018	June 30, 2019	December 31, 2019	June 30, 2020
Retained earnings at end of period	(Thousands of yen)	2,768,133	4,621,836	4,995,350	3,389,348	3,657,076
Reversal of reserve for reduction entry of property	(Thousands of yen)	—	—	—	98,616	—
Retained earnings carried forward	(Thousands of yen)	1,111	440,083	475,113	—	1,404
Total cash distributions	(Thousands of yen)	2,767,022	4,181,753	4,520,236	3,487,964	3,655,672
(Cash distribution per unit)	(Yen)	(1,684)	(2,545)	(2,751)	(1,955)	(2,049)
Profit distributions	(Thousands of yen)	2,767,022	4,181,753	4,520,236	3,487,964	3,655,672
(Profit distribution per unit)	(Yen)	(1,684)	(2,545)	(2,751)	(1,955)	(2,049)
Unitcapital refunds	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from provision for temporary difference adjustment	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from provision for temporary difference adjustment)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from deduction of unitcapital under tax rules	(Thousands of yen)	—	—	—	—	—
(Unitcapital refund per unit from deduction of unitcapital under tax rules)	(Yen)	(—)	(—)	(—)	(—)	(—)

5. Management policies and issues

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

(1) 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.

(2) 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.

(3) 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.

6. 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:

(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 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, 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 Fiscal 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.

Outline of the Investment Corporation

1. Investment unit

Fiscal period		24th	25th	26th	27th	28th
As of		June 30, 2018	December 31, 2018	June 30, 2019	December 31, 2019	June 30, 2020
Number of units authorized	(Units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Number of units issued and outstanding	(Units)	1,643,125	1,643,125	1,643,125	1,784,125	1,784,125
Unitholders' capital	(Millions of yen)	136,452	136,452	136,452	151,540	151,540
Number of unitholders	(People)	12,157	13,094	12,883	12,715	13,049

2. Unitholders

Major unitholders as of June 30, 2020 were as follows:

Name	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note) (%)
The Master Trust Bank of Japan, Ltd. Trust Account	286,985	16.08
Japan Trustee Services Bank, Ltd. Trust Account (Note 2)	228,376	12.80
The Nomura Trust and Banking Co., Ltd. Trust Account	91,505	5.12
Trust & Custody Services Bank, Ltd. Trust Account (Note 2)	49,934	2.79
Kanden Realty & Development Co., Ltd.	46,000	2.57
BNYM AS AGT/CLTS 10 PERCENT	44,831	2.51
THE BANK OF NEW YORK MELLON 140044	29,991	1.68
STATE STREET BANK WEST CLIENT - TREATY 505234	25,575	1.43
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	24,216	1.35
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ SECURITIES-AIFM	22,935	1.28
Total	850,348	47.66

Note 1 Ratio of number of units owned to total number of units issued is calculated by rounding down to the nearest second decimal place.

Note 2 On July 27, 2020, Japan Trustee Services Bank, Ltd. merged Trust & Custody Services Bank, Ltd. and JTC Holdings, Ltd. through an absorption-type merger with Japan Trustee Services Bank, Ltd. as the surviving company and Trust & Custody Services Bank, Ltd. and JTC Holdings, Ltd. as the extinct companies, and changed its name to Custody Bank of Japan, Ltd.

3. Officers

Officers, etc. as of June 30, 2020 were as follows:

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2020 (Thousands of yen)
Executive Director	Katsuhiro Tsuchiya	M&A Sogo Law Office (Attorney at Law)	3,180
Supervisory Director	Haruo Kitamura	Chief of KITAMURA & CO. (Certified public accountant)	3,000
	Osamu Ito	Partner of UNITED FUSO LAW OFFICE (Attorney at Law)	3,000
	Kyoko Nagata	Associate Professor of Tokyo Institute of Technology, School of Engineering	3,000
Independent auditor	KPMG AZSA LLC	—	(Note 3) 11,500

Note 1 There is no investment unit of the Investment Corporation held by the Executive Director nor the Supervisory Directors in their own name or that of others. Although Executive Director and Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and the Investment Corporation.

Note 2 Katsura Matsuo, Head of Office Division of the Asset Manager of the Investment Corporation, were appointed as alternate executive directors for a vacancy of the executive director by the 8th General Meeting of Unitholders held on March 15, 2019.

Note 3 The compensation for the independent auditor includes the audit fees for the financial statements prepared in English.

Note 4 The Investment Corporation shall dismiss independent auditor in accordance with the Act on Investment Trusts and Investment Corporation of Japan, if necessary, considering audit quality, fees or other various factors.

4. Name of asset manager and other administrator

Asset manager, custodian and general administrators as of June 30, 2020 were as follows:

Classification	Name
Asset manager	Mitsubishi Corp. - UBS Realty Inc.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (regarding book keeping)	Sumitomo Mitsui Trust Bank, Limited
General administrator (regarding investor registration and distribution payments to unitholders, etc.)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (regarding investment corporation bonds)	Mizuho Bank, Ltd.

Condition of investment assets

1. Composition of assets

Classification of assets	Investment category	Investment area		As of December 31, 2019 Total of net book value (Note 1) (Millions of yen)	As of December 31, 2019 Ratio to total assets (Note 2) (%)	As of June 30, 2020 Total of net book value (Note 1) (Millions of yen)	As of June 30, 2020 Ratio to total assets (Note 2) (%)
Trust beneficial interest in real property	Office Building	Three major metropolitan areas	Tokyo metropolitan area (Note 3)	142,872	47.5	143,099	47.5
			Osaka metropolitan area (Note 3)	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 3)	35,071	11.6	34,936	11.6
			Osaka metropolitan area (Note 3)	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 4)				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

Note 1 Amounts less than one million yen are rounded down.

Note 2 "Ratio to total assets" is calculated by rounding to the nearest first decimal place.

Note 3 The Tokyo metropolitan area consists of Tokyo, Kanagawa, Chiba and Saitama prefectures; the Osaka metropolitan area consists of Osaka, Kyoto and Hyogo prefectures.

Note 4 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 5 Construction in progress in trust is included in "Bank deposits and other assets".

2. Major property

The principal properties (top ten properties in net book value) as of June 30, 2020 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m^2)	Leased area (Note 2) (m^2)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 4) (%)	Major use
Twin 21	65,443	82,304.82	80,690.45	98.0	26.7	Office
Yokohama i-land Tower	23,640	25,460.50	25,460.50	100.0	8.1	Office
AEON MALL Tsudanuma	23,276	101,210.44	101,210.44	100.0	8.7	Retail facilities
Cube Kawasaki	20,539	24,494.06	24,494.06	100.0	8.0	Office
Shibuya Sakuragaoka Square	17,251	6,379.66	6,379.66	100.0	4.1	Office
G-Square Shibuya Dogenzaka	12,098	5,051.06	5,051.06	100.0	3.7	Office
Hotel Vista Premio Tokyo	11,660	4,236.46	4,236.46	100.0	(Note 5)	Hotel
USC Bldg.	11,037	12,487.73	11,722.93	93.9	3.4	Office
Kitahama MID Bldg.	10,216	10,189.49	10,189.49	100.0	3.4	Office
East Square Tokyo	9,924	12,208.42	9,455.53	77.5	3.4	Office
Total	205,088	284,022.64	278,890.58	98.2	–	

Note 1 "Leasable area" refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the AEON MALL Tsudanuma, in which entire buildings are leased) that is leasable as of June 30, 2020.

Note 2 "Leased area" refers to space (leased space only, excluding storage, halls, parking and other space, but including common area and parking space of the AEON MALL Tsudanuma, in which entire buildings are leased) that is leased under lease agreements valid as of June 30, 2020.

Note 3 "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 "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 4 "Rental revenues" are excluding other rental business revenues (Utilities, cancellation penalty and other).

Note 5 "Ratio of rental revenue to total rental revenues" of the property is not disclosed because the consent from the tenants has not been obtained.

Note 6 Amounts less than one million yen are rounded down. Percentages are rounded to the nearest first decimal place.

3. Details of property

The details of investment properties held by the Investment Corporation as of June 30, 2020 were as follows:

Investment category	Investment Area		Name of property	Location (Note 1)	Form of ownership	Appraisal value at end of period (Note 2) (Millions of yen)	Net book value (Millions of yen)
Office Building	Three major metropolitan areas	Tokyo metropolitan area	Sumitomo Fudosan Ueno Bldg. No.6	5-24-8, Higashiueno, Taito-ku, Tokyo	Trust beneficial interest	8,690	7,495
			G-Square Shibuya Dogenzaka	2-11-1 Dogenzaka, Shibuya-ku, Tokyo	Trust beneficial interest	17,000	12,098
			Shibuya Sakuragaoka Square	31-15, Sakuragaokacho, Shibuya-ku, Tokyo	Trust beneficial interest	19,700	17,251
			Yokohama Creation Square	5-1 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	8,250	6,967
			Cube Kawasaki	1-14 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	23,600	20,539
			Higashi-Nihombashi Green Bldg.	2-8-3 Higashi-Nihombashi, Chuo-ku, Tokyo	Trust beneficial interest	3,200	2,827
			Sasazuka Center Bldg.	2-1-6 Sasazuka, Shibuya-ku, Tokyo	Trust beneficial interest	9,310	9,044
			USC Bldg.	4-11-38 Toyo, Koto-ku, Tokyo	Trust beneficial interest	11,500	11,037
			Yoshiyasu Kanda Bldg.	2-1-15, Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	4,250	4,207
			TOYOTA MOBILITY SERVICE Bldg.	2-12-4, Nihombashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	10,400	9,560
			M-City Akasaka 1-chome Bldg.	1-11-28, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	4,470	4,379
			Yokohama i-land Tower	6-50-1, Honmachi, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	23,900	23,640
			M-City Edogawabashi Bldg.	1-44-10, Sekiguchi, Bunkyo-ku, Tokyo	Trust beneficial interest	4,240	4,124
			East Square Tokyo	1-6-35, Shinsuna, Koto-ku, Tokyo	Trust beneficial interest	9,760	9,924
		Osaka metropolitan area	Twin 21	2-1-61 Shiromi, Chuo-ku, Osaka-shi	Trust beneficial interest	60,300	65,443
			MID Imabashi Bldg.	2-3-16 Imabashi, Chuo-ku, Osaka-shi	Trust beneficial interest	2,670	3,043
			Kitahama MID Bldg.	1-6-7 Doshomachi, Chuo-ku, Osaka-shi	Trust beneficial interest	11,500	10,216
			MID Nishihommachi Bldg.	1-6-1 Awaza, Nishi-ku, Osaka-shi	Trust beneficial interest	2,600	3,299
			Higobashi MID Bldg.	1-5-16 Edobori, Nishi-ku, Osaka-shi	Trust beneficial interest	4,400	2,737
			Osaka YM Bldg.	7-15-26, Fukushima, Fukushima-ku, Osaka-shi	Trust beneficial interest	8,180	6,602
	Other area		Sendai Capital Tower	4-10-3 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	6,800	5,744
	Sub total					254,720	240,186
Other	Three major metropolitan areas	Tokyo metropolitan area	AEON MALL Tsudanuma	1-23-1 Tsudanuma, Narashino-shi, Chiba	Trust beneficial interest	29,000	23,276
			Hotel Vista Premio Tokyo	4-3-2, Akasaka, Minato-ku, Tokyo	Trust beneficial interest	11,000	11,660
		Osaka metropolitan area	Konami Sports Club Kyobashi	1-8-17 Higashinoda-machi, Miyakojima-ku, Osaka-shi	Trust beneficial interest	3,430	2,302
	Other area		Dormy Inn Hakata Gion	1-12 Reisen-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	4,560	2,043
	Sub total					47,990	39,282
Total						302,710	279,468

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

Note 2 "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 3 Amounts less than one million yen are rounded down.

Operating results of each property for the six months ended December 31, 2019 and June 30, 2020 were as follows:

Investment category	Investment Area		Name of property	For the six months ended							
				December 31, 2019				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	Sumitomo Fudosan Ueno Bldg. No.6	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			G-Square Shibuya Dogenzaka	9	100.0	298,626	3.8	9	100.0	305,178	3.7
			Shibuya Sakuragaoka Square	4	100.0	344,655	4.4	4	100.0	341,159	4.1
			Yokohama Creation Square	43	100.0	350,613	4.5	43	99.2	352,017	4.2
			Cube Kawasaki	10	100.0	642,757	8.2	10	100.0	666,467	8.0
			Higashi-Nihombashi Green Bldg.	7	100.0	83,858	1.1	7	100.0	82,587	1.0
			Sasazuka Center Bldg.	9	100.0	271,297	3.4	9	100.0	267,607	3.2
			USC Bldg.	9	93.9	283,863	3.6	9	93.9	281,850	3.4
			Yoshiyasu Kanda Bldg.	7	100.0	98,963	1.3	7	100.0	105,581	1.3
			TOYOTA MOBILITY SERVICE Bldg.	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
			M-City Akasaka 1-chome Bldg.	12	100.0	90,474	1.1	12	100.0	97,085	1.2
			Yokohama i-land Tower	7	100.0	666,640	8.5	7	100.0	672,776	8.1
			M-City Edogawabashi Bldg.	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
			East Square Tokyo	13	81.0	58,706	0.7	12	77.5	286,476	3.4
		Osaka metropolitan area	Twin 21	109	98.2	2,270,201	28.8	103	98.0	2,224,762	26.7
			MID Imabashi Bldg.	21	100.0	95,784	1.2	21	100.0	96,436	1.2
			Kitahama MID Bldg.	11	100.0	281,370	3.6	10	100.0	283,545	3.4
			MID Nishihommachi Bldg.	18	100.0	86,873	1.1	18	100.0	88,640	1.1
			Higobashi MID Bldg.	12	100.0	113,437	1.4	12	100.0	115,338	1.4
			Osaka YM Bldg.	25	100.0	44,725	0.6	28	100.0	190,791	2.3
	Other area		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 metro-politan area	AEON MALL Tsudanuma	1	100.0	726,000	9.2	1	100.0	726,000	8.7
			Hotel Vista Premio Tokyo	2	100.0	(Note 6)	(Note 6)	2	100.0	(Note 6)	(Note 6)
		Osaka metro-politan area	Konami Sports Club Kyobashi	1	100.0	(Note 6)	(Note 6)	1	100.0	(Note 6)	(Note 6)
	Other area		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 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 by the leasable area at the end of each fiscal period. 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 of rental revenues less than one thousand yen are rounded down.

4. Details of investment securities

The details of investment securities as of June 30, 2020 were as follows:

Name	Classification of assets	Quantity	Net book Value (Thousands of yen)		Fair value (Note 2) (Thousands of yen)		Unrealized gains (or losses) (Thousands of yen)	Remarks
			Per unit	Amount	Per unit	Amount		
Equity interest of TK agreement managed by R40 Godo Kaisha (Note 1)	Investment in Tokumei Kumiai agreement	–	–	5,085,027	–	5,085,027	–	–
Total			–	5,085,027	–	5,085,027	–	

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 Tokumei Kumiai agreement.

5. Details of specified transaction

The details of specified transaction as of June 30, 2020 were as follows:

Classification	Transaction	Notional contract amount (Thousands of yen)		Fair value (Note 1) (Thousands of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	34,700,000	20,600,000	(214,694)
Total		34,700,000	20,600,000	(214,694)

Note 1 The fair value is estimated by the counterparty to the interest rate swaps contracts using market interest rates and other assumptions.

6. Other assets

Real property and trust beneficial interests in real property are included the above tables in “3. Details of property.”

7. Investment assets by country or area

There is no investment asset other than Japan.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of June 30, 2020 was as below. The amounts of estimated cost shown in the below table can be including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost (Millions of yen)		
				Total	Payment for the six months ended June 30, 2020	Total of advanced payment
East Square Tokyo	Koto-ku, Tokyo	Renewal of UPS equipment	April 2020 to June 2021	390	―	―
Yokohama i-land Tower	Naka-ku, Yokohama-shi	LED lighting equipment	January 2020 to June 2021	348	―	―
East Square Tokyo	Koto-ku, Tokyo	Construction for office (2nd, 3rd and 4th floor)	June 2020 to October 2020	240	―	―
Cube Kawasaki	Kawasaki-ku, Kawasaki-shi	2nd renewal of heat system	September 2020 to January 2021	264	―	―
Twin 21	Chuo-ku, Osaka-shi	Partial renewal of elevator	March 2020 to October, 2020	166	―	―

2. Capital expenditures for the six months ended June 30, 2020

Maintenance expenditures on property for the six months ended June 30, 2020 were totaling to ¥1,303 million consisting of ¥1,002 million of capital expenditures stated as below and ¥300 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
Cube Kawasaki	Kawasaki-ku, Kawasaki-shi	Renewal of heat system	April 2019 to January 2020	197
Sendai Capital Tower	Sendai-shi, Miyagi	Renewal of common area	April 2020 to June 2020	115
Yokohama i-land Tower	Naka-ku, Yokohama-shi	Renewal of smoking area	November 2019 to June 2020	86
Yokohama i-land Tower	Naka-ku, Yokohama-shi	Repair of women's restroom	November 2019 to June 2020	65
Yokohama i-land Tower	Naka-ku, Yokohama-shi	Construction for power supply used in an emergency	November 2019 to March 2020	50
Other properties, etc.	―	Other capital expenditures	―	487
Total				1,002

Note For the six months ended June 30, 2020, the Investment Corporation received ¥10 million of electric energy saving subsidy for a property and reduced acquisition costs of the property totaling to ¥38 million by the amount equivalent to the subsidy.

3. Reserved funds for long-term maintenance plan

The Investment Corporation had reserved funds as below to appropriate for future expenditures on maintenance based on a long-term maintenance plan.

(Millions of yen)

Fiscal period	24th	25th	26th	27th	28th
As of /for the six months ended	June 30, 2018	December 31, 2018	June 30, 2019	December 31, 2019	June 30, 2020
Reserved funds at beginning of period	1,581	389	―	―	―
Increase	298	12	―	―	―
Decrease	1,490	401	―	―	―
Reserved funds at end of period	389	―	―	―	―

Note The Investment Corporation had decided not to reserve funds for future expenditures on maintenance based on a long-term maintenance plan from the 25th fiscal period.

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Fiscal period	27th	28th
For the six months ended	December 31, 2019	June 30, 2020
(a) Asset management fees	727,860	794,817
(b) Asset custody fees	6,001	6,075
(c) Administrative service fees	36,559	40,118
(d) Directors' compensations	12,180	12,180
(e) Independent auditor fees	11,500	11,500
(f) Other operating expenses	62,518	71,408
Total	856,618	936,100

Note The amount of asset management fees for the six months ended December 31, 2019 does not include ¥270,100 thousand of asset management fees related to acquisition capitalized as part of the acquisition cost of properties.

2. Loans payable

Please refer to "Note 9－Loans Payable" in the accompanying financial statements.

3. Investment corporation bonds

Please refer to "Note 11－Investment Corporation Bonds" in the accompanying financial statements.

4. Short-term investment corporation bonds

None

5. Investment unit warrants

None

Condition of investment transactions

1. Transactions of property and asset-backed securities, etc.

None

2. Transactions of other assets

Other assets than property or asset-backed securities, etc. are bank deposits and bank deposits in trust.

3. Research for specified assets value, etc.

(1) Property

None

(2) Asset backed securities

None

(3) Other transaction

None

4. Transactions with interested parties

(1) Outline of transactions

None

(2) Amounts of fees paid and other expenses

None

5. Transactions with asset manager relating to other business than asset management

None

Financial information

1. Financial position and operating results

Please refer to the accompanying financial statements.

2. Changes in depreciation method

None

3. Changes in valuation method of real property

None

Other information

1. Notice

The Board of Directors Meeting

There was no execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended June 30, 2020.

2. Investment trust beneficiary interest of the Investment Corporation

None

3. Overseas real estate investment corporation and property held by the corporation

None

4. Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this presentation. As a result, the total shown in this presentation do not necessarily agree to the sum of the individual items.

MCUBS MIDCITY INVESTMENT CORPORATION
BALANCE SHEETS
As of December 31, 2019 and June 30, 2020

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 3 and 19)	¥ 8,882	¥ 10,024	$ 93,038
Cash and bank deposits in trust (Notes 3 and 19)	5,554	5,881	54,585
Rental receivables	222	141	1,308
Accounts receivable – other	10	—	—
Income taxes receivable	32	32	297
Consumption tax refundable	620	—	—
Prepaid expenses	59	49	454
Other	—	7	64
Total current assets	15,381	16,137	149,777
Noncurrent assets:			
Property and equipment, at cost (Notes 5 and 7):			
Buildings in trust (Note 4)	80,383	81,342	754,984
Structures in trust	258	260	2,413
Machinery and equipment in trust	4	4	37
Tools, furniture and fixtures in trust (Note 4)	520	551	5,114
Land in trust	219,361	219,361	2,036,021
Construction in progress in trust	29	20	185
Total property and equipment	300,556	301,541	2,798,784
Less: Accumulated depreciation	20,793	22,051	204,668
Total net property and equipment	279,763	279,489	2,594,106
Intangible assets (Note 6):			
Software	2	2	18
Other	0	0	0
Total intangible assets	2	3	27
Investments and other assets:			
Investment securities (Notes 8 and 19)	5,085	5,085	47,196
Lease and guarantee deposits	10	10	92
Long-term prepaid expenses	703	673	6,246
Deferred tax assets (Note 17)	0	—	—
Total investments and other assets	5,798	5,768	53,536
Total noncurrent assets	285,564	285,261	2,647,679
Deferred charges:			
Investment corporation bonds issuance costs	51	45	417
Investment unit issuance costs	78	57	529
Total deferred charges	129	103	956
TOTAL ASSETS	¥ 301,075	¥ 301,502	$ 2,798,422

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
BALANCE SHEETS
As of December 31, 2019 and June 30, 2020

	As of					
	December 31, 2019		June 30, 2020		June 30, 2020	
	(in millions of yen)				(in thousands of U.S. dollars)	
LIABILITIES						
Current liabilities:						
Operating accounts payable	¥	514	¥	434	$	4,028
Current portion of investment corporation bonds – unsecured (Notes 11 and 19)		－		1,500		13,922
Current portion of long-term loans payable (Notes 9 and 19)		22,850		19,600		181,919
Accounts payable		1,868		1,265		11,741
Accrued expenses		147		152		1,410
Distribution payable		11		11		102
Consumption taxes payable		－		503		4,668
Advances received		1,285		1,383		12,836
Other		656		876		8,130
Total current liabilities		27,334		25,728		238,797
Noncurrent liabilities:						
Investment corporation bonds – unsecured (Notes 11 and 19)		8,000		6,500		60,330
Long-term loans payable (Notes 9 and 19)		96,125		99,375		922,359
Tenant leasehold and security deposits (Note 19)		13,589		13,702		127,176
Total noncurrent liabilities		117,714		119,577		1,109,866
TOTAL LIABILITIES		145,048		145,305		1,348,663
NET ASSETS (Note 12)						
Unitholders' equity:						
Unitholders' capital, 10,000,000 units authorized; 1,784,125 units as of December 31, 2019 and June 30, 2020 issued and outstanding		151,540		151,540		1,406,534
Surplus:						
Voluntary reserve						
Reserve for reduction entry of property		1,097		998		9,263
Total voluntary reserve		1,097		998		9,263
Retained earnings		3,389		3,657		33,942
Total surplus		4,486		4,655		43,205
Total unitholders' equity		156,027		156,196		1,449,749
TOTAL NET ASSETS		156,027		156,196		1,449,749
TOTAL LIABILITIES AND NET ASSETS	¥	301,075	¥	301,502	$	2,798,422

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the six months ended December 31, 2019 and June 30, 2020

	For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Operating revenues			
Rent revenues－real estate (Note 14)	¥ 7,869	¥ 8,344	$ 77,445
Other rental business revenues (Note 14)	536	554	5,142
Dividends income	162	162	1,503
Total operating revenues	8,569	9,061	84,100
Operating expenses			
Expenses related to rental business (Note 14)	3,729	3,849	35,724
Asset management fees	727	794	7,369
Asset custody fees	6	6	55
Administrative service fees	36	40	371
Directors' compensations	12	12	111
Other	74	82	761
Total operating expenses	4,585	4,785	44,412
Operating income	3,983	4,276	39,688
Non-operating income			
Interest income	0	0	0
Reversal of distribution payable	0	1	9
Interest on refund	0	2	18
Gain on donation of noncurrent assets (Note 15)	0	—	—
Total non-operating income	1	3	27
Non-operating expenses			
Interest expenses	421	442	4,102
Interest expenses on investment corporation bonds	22	22	204
Borrowing related expenses	126	126	1,169
Amortization of investment corporation bonds issuance costs	5	5	46
Amortization of investment unit issuance costs	19	21	194
Other	0	0	0
Total non-operating expenses	595	619	5,745
Ordinary income	3,389	3,660	33,970
Extraordinary gain			
Subsidy income (Note 16)	—	10	92
Total extraordinary gain	—	10	92
Extraordinary loss			
Reduction entry for property (Note 16)	—	10	92
Total extraordinary loss	—	10	92
Income before income taxes	3,389	3,660	33,970
Income taxes (Note 17):			
Current	0	3	27
Deferred	0	0	0
Total income taxes	0	3	27
Net income	3,388	3,657	33,942
Retained earnings brought forward	0	—	—
Unappropriated retained earnings (Note 13)	¥ 3,389	¥ 3,657	$ 33,942

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended December 31, 2019 and June 30, 2020

	Unitholders' equity						
		Surplus					
		Voluntary reserve					
	Unitholders' capital	Reserve for reduction entry of property	Total voluntary reserve	Retained earnings	Total surplus	Total unitholders' equity	Total net assets
				(in millions of yen)			
Balance as of June 30, 2019	¥ 136,452	¥ 622	¥ 622	¥ 4,995	¥ 5,618	¥ 142,070	¥ 142,070
Changes during the period							
Issuance of new investment units	15,088	—	—	—	—	15,088	15,088
Provision of reserve for reduction entry of property	—	474	474	(474)	—	—	—
Dividends from surplus	—	—	—	(4,520)	(4,520)	(4,520)	(4,520)
Net income	—	—	—	3,388	3,388	3,388	3,388
Total changes during the period	15,088	474	474	(1,606)	(1,131)	13,957	13,957
Balance as of December 31, 2019	¥ 151,540	¥ 1,097	¥ 1,097	¥ 3,389	¥ 4,486	¥ 156,027	¥ 156,027
Changes during the period							
Reversal of reserve for reduction entry of property	—	(98)	(98)	98	—	—	—
Dividends from surplus	—	—	—	(3,487)	(3,487)	(3,487)	(3,487)
Net income	—	—	—	3,657	3,657	3,657	3,657
Total changes during the period	—	(98)	(98)	267	169	169	169
Balance as of June 30, 2020	¥ 151,540	¥ 998	¥ 998	¥ 3,657	¥ 4,655	¥ 156,196	¥ 156,196

	Unitholders' equity						
		Surplus					
		Voluntary reserve					
	Unitholders' capital	Reserve for reduction entry of property	Total voluntary reserve	Retained earnings	Total surplus	Total unitholders' equity	Total net assets
				(in thousands of U.S. dollars)			
Balance as of December 31, 2019	$ 1,406,534	$ 10,181	$ 10,181	$ 31,455	$ 41,637	$ 1,448,180	$ 1,448,180
Changes during the period							
Reversal of reserve for reduction entry of property	—	(909)	(909)	909	—	—	—
Dividends from surplus	—	—	—	(32,364)	(32,364)	(32,364)	(32,364)
Net income	—	—	—	33,942	33,942	33,942	33,942
Total changes during the period	—	(909)	(909)	2,478	1,568	1,568	1,568
Balance as of June 30, 2020	$ 1,406,534	$ 9,263	$ 9,263	$ 33,942	$ 43,205	$ 1,449,749	$ 1,449,749

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the six months ended December 31, 2019 and June 30, 2020

	For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 3,389	¥ 3,660	$ 33,970
Depreciation and amortization	1,193	1,267	11,759
Amortization of long-term prepaid expenses	93	96	891
Amortization of investment unit issuance costs	19	21	194
Amortization of investment corporation bonds issuance costs	5	5	46
Interest income	(0)	(0)	(0)
Interest expenses	443	464	4,306
Subsidy income	―	(10)	(92)
Gain on donation of noncurrent assets	(0)	―	―
Loss on retirement of noncurrent assets	1	1	9
Reduction entry for property	―	10	92
Changes in assets and liabilities:			
Decrease (increase) in operating accounts receivable	(49)	81	751
Decrease (increase) in consumption taxes refundable	(620)	620	5,754
Increase (decrease) in consumption taxes payable	(507)	503	4,668
Increase (decrease) in operating accounts payable	149	(80)	(742)
Increase (decrease) in accounts payable	21	(78)	(723)
Increase (decrease) in advances received	126	97	900
Decrease (increase) in prepaid expenses	(11)	9	83
Payments of long-term prepaid expenses	(238)	(67)	(621)
Other, net	21	(70)	(649)
Subtotal	4,034	6,534	60,645
Interest income received	0	0	0
Interest expenses paid	(448)	(460)	(4,269)
Income taxes paid	(0)	(3)	(27)
Net cash provided by operating activities	3,585	6,070	56,339
Cash flows from investing activities:			
Purchases of property and equipment in trust	(28,789)	(1,486)	(13,792)
Purchases of intangible assets	―	(2)	(18)
Proceeds from tenant leasehold and security deposits	1,185	572	5,309
Payments of tenant leasehold and security deposits	(288)	(165)	(1,531)
Net cash used in investing activities	(27,892)	(1,081)	(10,033)
Cash flows from financing activities:			
Proceeds from long-term loans payable	26,200	8,550	79,357
Repayments of long-term loans payable	(15,200)	(8,550)	(79,357)
Proceeds from issuance of investment units	15,064	―	―
Payments of investment unit issuance costs	―	(32)	(297)
Dividends paid	(4,520)	(3,486)	(32,355)
Net cash provided by (used in) financing activities	21,544	(3,519)	(32,661)
Net change in cash and cash equivalents	(2,763)	1,469	13,634
Cash and cash equivalents at the beginning of period	17,199	14,436	133,989

The accompanying notes are an integral part of these financial statements.

Cash and cash equivalents at the end of period (Note 3)	¥ 14,436	¥ 15,906	$ 147,633

The accompanying notes are an integral part of these financial statements.

MCUBS MIDCITY INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the six months ended December 31, 2019 and June 30, 2020

Note 1 － Organization

MCUBS MidCity Investment Corporation (the “Company”), a real estate investment corporation, with initial capital of ¥100 million, was incorporated on June 1, 2006, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) and listed on the J-REIT section of the Tokyo Stock Exchange on August 29, 2006.

The Company is externally managed by a registered asset management company, Mitsubishi Corp.- UBS Realty Inc. (formerly: MCUBS MidCity Inc.) (the “Asset Manager”). Although the Asset Manager had been owned by Mitsubishi Corp. - UBS Realty Inc. and Kanden Realty & Development Co., Ltd., Kanden Realty & Development Co., Ltd. sold all shares of MCUBS MidCity Inc. to Mitsubishi Corp.- UBS Realty Inc. on April 1. Also, an absorption-type merger has been conducted with MCUBS MidCity Inc. as the dissolving company and Mitsubishi Corp.- UBS Realty Inc. as the surviving company, on July 1, 2019.

The Company was formed to invest primarily in office properties in Japan. The Company raised ¥88,587 million through an initial public offering of 180,000 investment units on August 28, 2006 and acquired trust beneficiary interest in entrusted real estate (trust beneficiary interest in real estate) for nine properties on August 31, 2006 for an aggregate purchase price of ¥146 billion by utilizing net proceeds from the initial public offering and loans payable from banks.

The total assets managed by the Company at the end of the 28th fiscal period (June 30, 2020) amounted to ¥287.6 billion (US$2,669 million) (the total acquisition price of 26 properties).

Note 2 － Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act. In preparing the accompanying financial statements, certain information in the notes has been added to the financial statements issued domestically for the convenience of the readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company’s fiscal period is a six-month period which ends at the end of June and December of each year.

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥107.74 = US$1, the effective rate of exchange prevailing at June 30, 2020. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2020 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

Amounts less than ¥1 million and US$ 1 thousand have been rounded down. As a result, the total shown in the financial statements and notes thereto does not necessarily agree to the sum of individual account balances.

The Company does not prepare consolidated financial statements as it has no subsidiaries.

(b) 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.

(c) 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

(d) Intangible assets

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

(e) Long-term Prepaid Expenses

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

(f) 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 Company 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 Company 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 sheets of the Company.

(g) Accounting Treatment of Investments in Tokumei Kumiai

Investments in Tokumei Kumiai ("TK"), which are presented as investment securities in the balance sheets, are accounted for using the equity method of accounting. Under the equity method, the initial and additional subsequent investments in a TK are recorded at cost and the carrying amount at the balance sheet date is adjusted for the Company's share of the undistributed earnings or losses and distributions received from the TK.

(h) Hedge Accounting

In accordance with the Company's risk management policy and its internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company's articles of incorporation. The Company 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 deducted from any interest earned or incurred on the hedged asset or liability, as appropriate, and the fair value of the interest rate swaps 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) 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.

(j) Investment Unit Issuance Costs

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

(k) Income Taxes

Deferred tax assets and liabilities are computed based on the temporary differences between the financial statement and income tax basis of assets and liabilities using the applicable statutory tax rate.

(l) Consumption Taxes

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

(m) 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 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 million 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.

(n) Revenue Recognition

Revenues from the leasing of properties includes fixed rental revenues, variable rental revenues, sales-based rental revenues, recoveries of utility charges and other miscellaneous income, which are all recognized in a pattern appropriate for each revenue stream.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents shown in the statements of cash flows consist of the following balance sheet items.

	As of					
	December 31, 2019		June 30, 2020		June 30, 2020	
	(in millions of yen)				(in thousands of U.S. dollars)	
Cash and bank deposits	¥	8,882	¥	10,024	$	93,038
Cash and bank deposits in trust		5,554		5,881		54,585
Cash and cash equivalents	¥	14,436	¥	15,906	$	147,633

Note 4 – 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 are as follows:

	As of					
	December 31, 2019		June 30, 2020		June 30, 2020	
	(in millions of yen)				(in thousands of U.S. dollars)	
Reduction entry by:						
Government subsidies received						
Buildings in trust	¥	54	¥	65	$	603
Tools, furniture and fixtures in trust		3		3		27
Insurance income						
Buildings in trust		68		68		631

Note 5 – Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended December 31, 2019 and June 30, 2020, respectively.

For the six months ended December 31, 2019:

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	(in millions of yen)						
Buildings in trust [1]	¥ 75,054	¥ 5,344	¥ 15	¥ 80,383	¥ 20,375	¥ 1,169	¥ 60,008
Structures in trust	188	69	–	258	34	5	224
Machinery and equipment in trust	4	–	–	4	2	0	1
Tools, furniture and fixtures in trust	516	4	–	520	381	17	138
Land in trust [1]	195,353	24,008	–	219,361	–	–	219,361
Construction in progress in trust	27	3	1	29	–	–	29
Total	¥ 271,144	¥ 29,429	¥ 17	¥ 300,556	¥ 20,793	¥ 1,193	¥ 279,763

Note:

Changes in the net book value for the six months ended December 31, 2019 are mainly due to the acquisitions of East Square Tokyo (¥9,905 million), Osaka YM Bldg. (¥6,593 million) and Hotel Vista Premio Tokyo (¥11,691 million).

For the six months ended June 30, 2020:

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	(in millions of yen)						
Buildings in trust	¥ 80,383	¥ 969	¥ 9	¥ 81,342	¥ 21,608	¥ 1,241	¥ 59,734
Structures in trust	258	2	–	260	41	7	218
Machinery and equipment in trust	4	–	–	4	2	0	1
Tools, furniture and fixtures in trust	520	31	–	551	399	17	152
Land in trust	219,361	–	–	219,361	–	–	219,361
Construction in progress in trust	29	46	54	20	–	–	20
Total	¥ 300,556	¥ 1,048	¥ 64	¥ 301,541	¥ 22,052	¥ 1,267	¥ 279,489

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	(in thousands of U.S. dollars)						
Buildings in trust	$ 746,083	$ 8,993	$ 83	$ 754,984	$ 200,556	$ 11,518	$ 554,427
Structures in trust	2,394	18	–	2,413	380	64	2,023
Machinery and equipment in trust	37	–	–	37	18	0	9
Tools, furniture and fixtures in trust	4,826	287	–	5,114	3,703	157	1,410
Land in trust	2,036,021	–	–	2,036,021	–	–	2,036,021
Construction in progress in trust	269	426	501	185	–	–	185
Total	$ 2,789,641	$ 9,727	$ 594	$ 2,798,784	$ 204,677	$ 11,759	$ 2,594,106

Note 6 – Intangible Assets

The following tables show the summary of movement in intangible assets for the six months ended December 31, 2019 and June 30, 2020, respectively.

For the six months ended December 31, 2019:

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated amortization	Amortization for the period	Net intangible assets
	(in millions of yen)						
Software	¥ 6	¥ —	¥ —	¥ 6	¥ 4	¥ 0	¥ 2
Other	—	0	—	0	—	—	0
Total	¥ 6	¥ 0	¥ —	¥ 7	¥ 4	¥ 0	¥ 2

For the six months ended June 30, 2020:

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated amortization	Amortization for the period	Net intangible assets
	(in millions of yen)						
Software	¥ 6	¥ 2	¥ 5	¥ 4	¥ 1	¥ 0	¥ 2
Other	0	—	—	0	—	—	0
Total	¥ 76	¥ 2	¥ 5	¥ 5	¥ 1	¥ 0	¥ 3

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated amortization	Amortization for the period	Net intangible assets
	(in thousands of U.S. dollars)						
Software	$ 55	$ 18	$ 46	$ 37	$ 9	$ 0	$ 18
Other	0	—	—	0	—	—	0
Total	$ 64	$ 18	$ 46	$ 46	$ 9	$ 0	$ 27

Note 7 – Fair Value of Investment and Rental Properties

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.

	As of / For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of the period	¥ 251,503	¥ 279,734	$ 2,596,380
Net increase (decrease) during the period(1)	28,231	(266)	(2,468)
Balance at the end of the period	¥ 279,734	¥ 279,468	$ 2,593,911
Fair value(2)	303,570	302,710	2,809,634

Notes:

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

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

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

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 million (US$11,759 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 14 - Rental Business Revenues and Expenses.”

Note 8 – Investments in Tokumei Kumiai

The Company invests in real estate properties by entering into TK agreements as a Tokumei Kumiai investor ("TK investor") with Japanese special purpose companies known as Tokumei Kumiai operators ("TK operators"), which are the property holding entities. Such TK transactions are a common method of investing and holding real estate properties in Japan. The relationship between the TK operators and the TK investors is governed by TK agreements, whereby the TK investors provide funds to the TK operators in return for the prorated portion of the income derived from the investments in properties held by the TK operators. Information on investments in TK as of December 31, 2019 and June 30, 2020 is as follows:

As of December 31, 2019:

Name of TK operator	Carrying amounts	The value of TK[1]	Unrealized gains (or losses)
	(in millions of yen)		
R40 Godo Kaisha[2]	¥ 5,085	¥ 5,085	¥ —
Total	¥ 5,085	¥ 5,085	¥ —

As of June 30, 2020:

Name of TK operator	Carrying amounts	The value of TK[1]	Unrealized gains (or losses)	Carrying amounts	The value of TK[1]	Unrealized gains (or losses)
	(in millions of yen)			(in thousands of U.S. dollars)		
R40 Godo Kaisha[2]	¥ 5,085	¥ 5,085	¥ —	$ 47,196	$ 47,196	$ —
Total	¥ 5,085	¥ 5,085	¥ —	$ 47,196	$ 47,196	$ —

Note:

(1) The value of TK represents carrying amounts because it is too difficult to estimate fair value based on reasonable future cash flow.

(2) 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 9 – Loans Payable

The following tables show the details of loans payable as of December 31, 2019 and June 30, 2020.

Classification	Borrowing date	Maturity date	Average interest rate[1]	Balance as of December 31, 2019	Balance as of June 30, 2020	June 30, 2020
				(in millions of yen)		(in thousands of U.S. dollars)
Long-term loans payable	July 31, 2013	July 31, 2020	(Note 3) 1.709	¥ 1,800	¥ (Note 5) 1,800	$ 16,706
	July 31, 2014	July 31, 2020	(Note 2) 1.240	2,000	(Note 5) 2,000	18,563
	July 31, 2014	July 31, 2021	(Note 3) 1.478	1,800	1,800	16,706
	July 31, 2015	July 31, 2021	(Note 2) 1.034	4,500	4,500	41,767
	July 31, 2015	July 31, 2023	(Note 2) 1.384	1,000	1,000	9,281
	July 31, 2015	July 31, 2020	(Note 2) 0.865	9,300	(Note 5) 9,300	86,318
	July 31, 2015	July 31, 2020	(Note 3) 0.908	1,200	(Note 5) 1,200	11,137
	July 31, 2015	July 31, 2022	(Note 2) 1.202	2,200	2,200	20,419
	July 31, 2015	July 31, 2022	(Note 3) 1.233	800	800	7,425
	July 31, 2015	July 31, 2023	(Note 2) 1.384	500	500	4,640
	July 31, 2015	July 31, 2023	(Note 3) 1.400	500	500	4,640
	April 28, 2016	April 30, 2021	(Note 2) 0.498	2,800	(Note 5) 2,800	25,988
	July 29, 2016	January 31, 2020	0.379	3,700	—	—
	July 29, 2016	January 31, 2020	(Note 3) 0.373	2,250	—	—
	July 29, 2016	January 31, 2020	(Note 3) 0.373	2,600	—	—
	July 29, 2016	January 31, 2021	(Note 3) 0.451	2,500	(Note 5) 2,500	23,204
	July 29, 2016	July 31, 2021	(Note 3) 0.494	2,650	2,650	24,596
	July 29, 2016	July 31, 2024	(Note 3) 0.735	4,700	4,700	43,623
	January 31, 2017	January 31, 2022	(Note 3) 0.647	4,000	4,000	37,126
	January 31, 2017	January 31, 2024	(Note 3) 0.809	4,000	4,000	37,126
	July 31, 2017	July 31, 2023	(Note 3) 0.680	1,900	1,900	17,635
	July 31, 2017	July 31, 2023	(Note 3) 0.688	1,000	1,000	9,281
	July 31, 2017	July 31, 2025	(Note 3) 0.856	3,975	3,975	36,894
	July 31, 2017	July 31, 2027	(Note 3) 1.040	3,900	3,900	36,198
	July 31, 2017	July 29, 2022	(Note 3) 0.524	2,900	2,900	26,916
	February 28, 2018	February 28, 2023	0.369	2,400	2,400	22,275
	February 28, 2018	February 28, 2025	(Note 3) 0.640	1,200	1,200	11,137
	February 28, 2018	February 28, 2025	(Note 3) 0.719	2,700	2,700	25,060
	February 28, 2018	February 27, 2026	(Note 3) 0.800	2,700	2,700	25,060
	July 31, 2018	July 31, 2028	(Note 2) 0.923	3,400	3,400	31,557
	July 31, 2018	July 31, 2028	(Note 3) 1.019	1,500	1,500	13,922
	July 31, 2018	July 31, 2026	(Note 2) 0.777	2,900	2,900	26,916
	July 31, 2018	July 31, 2026	(Note 3) 0.770	2,000	2,000	18,563
	July 31, 2018	July 31, 2026	(Note 3) 0.834	800	800	7,425
	July 31, 2018	July 31, 2025	(Note 3) 0.743	1,800	1,800	16,706
	July 31, 2018	January 31, 2023	0.344	2,900	2,900	26,916
	July 31, 2019	July 31, 2029	(Note 3) 0.724	2,900	2,900	26,916
	July 31, 2019	January 31, 2029	(Note 3) 0.675	1,050	1,050	9,745
	July 31, 2019	January 31, 2028	(Note 3) 0.604	3,400	3,400	31,557
	July 31, 2019	July 30, 2027	(Note 2) 0.488	1,000	1,000	9,281
	July 31, 2019	January 29, 2027	(Note 3) 0.528	4,000	4,000	37,126
	July 31, 2019	July 31, 2026	(Note 3) 0.490	900	900	8,353
	July 31, 2019	January 31, 2025	0.394	1,950	1,950	18,099
	November 21, 2019	November 21, 2029	(Note 3) 0.758	1,700	1,700	15,778
	November 21, 2019	November 21, 2029	(Note 3) 0.780	1,300	1,300	12,066
	November 21, 2019	May 21, 2029	(Note 3) 0.719	3,100	3,100	28,772
	November 21, 2019	May 21, 2026	(Note 2) 0.441	2,000	2,000	18,563
	November 21, 2019	May 21, 2024	0.344	2,000	2,000	18,563
	November 21, 2019	November 21, 2023	0.319	900	900	8,353
	January 31, 2020	January 31, 2029	(Note 2) 0.605	—	1,600	14,850
	January 31, 2020	July 31, 2027	(Note 3) 0.589	—	2,600	24,132
	January 31, 2020	January 31, 2027	(Note 2) 0.474	—	1,500	13,922
	January 31, 2020	July 31, 2026	(Note 3) 0.524	—	750	6,961
	January 31, 2020	July 31, 2024	0.329	—	2,100	19,491
	Long-term loans payable total			118,975	118,975	1,104,278
	Loans payable total			¥ 118,975	¥ 118,975	$ 1,104,278

Notes:

(1) The average interest rate indicates a weighted average of interest rate for each six-month period, rounded to the third decimal place. The average interest rates of loans payable which are hedged by interest rate swaps are calculated adjusting the effect of the interest rate swaps.

(2) These term loans are hedged by interest rate swaps.

(3) Interest rates of these term loans are fixed rate.

(4) The use of proceeds was acquisition of trust beneficiary interest in real estate, etc.

(5) Current portion of these term loans is shown as current portion of long-term loans payable in the balance sheets.

Annual repayments of long-term loans payable scheduled for next five years after each balance sheet date are as follows:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Up to 1year	¥	¥	$
Up to 1 year	22,850	19,600	181,919
1-2 years			
Up to 1 year	14,250	12,950	120,196
2-3 years	9,900	11,200	103,953
3-4 years	11,100	11,800	109,522
4-5 years	10,700	12,650	117,412

Note 10 – Commitment line

As of December 31, 2019 and June 30, 2020, the Company entered into committed lines of credit with Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and MUFG Bank, Ltd. as follows:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Total amount of committed lines of credit	¥ 15,000	¥ 15,000	$ 139,224
Borrowings drawn down	—	—	—
Unused committed lines of credit	¥ 15,000	¥ 15,000	$ 139,224

Note 11 – Investment Corporation Bonds

The details of the unsecured investment corporation bonds issued and outstanding as of December 31, 2019 and June 30, 2020 are as follows:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
¥1.5 billion of 5-year bonds, issued on May 23, 2016, maturing on May 21, 2021 with a coupon of 0.340%	¥ 1,500	¥ 1,500 (1)	$ 13,922
¥1.5 billion of 10-year bonds, issued on May 23, 2016, maturing on May 22, 2026 with a coupon of 0.810%	1,500	1,500	13,922
¥1 billion of 5-year bonds, issued on May 29, 2017, maturing on May 27, 2022 with a coupon of 0.260%	1,000	1,000	9,281
¥2 billion of 10-year bonds, issued on May 29, 2017, maturing on May 28, 2027 with a coupon of 0.670%	2,000	2,000	18,563
¥2 billion of 10-year bonds, issued on May 29, 2018, maturing on May 29, 2028 with a coupon of 0.590%	2,000	2,000	18,563

Total	¥ 8,000	¥ 8,000	$ 74,252

Notes:

(1) The bonds are shown as current portion of investment corporation bonds－unsecured in the balance sheets.

Annual repayments on the investment corporation bonds scheduled for next five years after each balance sheet date are as follows:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Up to 1year	¥ —	¥	$
Up to 1 year		1,500	13,922
1-2 years	1,500		
Up to 1 year		1,000	9,281
2-3 years	1,000	—	—
3-4 years	—	—	—
4-5 years	—	—	—

Note 12 – Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50 million (US$464 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of units issued and outstanding are 1,784,125 units as of December 31, 2019 and June 30, 2020, respectively.

Note 13 – Appropriation of Retained Earnings

In accordance with the distribution policy in Article 34, Paragraph 1, Item 2 of the Company's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in the Special Taxation Measures Act of Japan for the fiscal period, the Company generally intends to distribute all of distributable profit except for fractional distribution per investment unit less than one yen as regular distributions to unitholders with respect to its fiscal periods.

The following table shows the appropriation of retained earnings for the six months ended December 31, 2019 and June 30, 2020, respectively.

	For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 3,389	¥ 3,657	$ 33,942
Reversal of reserve for reduction entry of property	98	–	–
Cash distribution declared	(3,487)	(3,655)	(33,924)
Provision of reserve for reduction entry of property	–	–	–
Retained earnings carried forward	¥ –	¥ 1	$ 9

For the year ended December 31, 2019, the Company reversed ¥98 million of reserve for reduction entry of property.

Cash distributions per investment unit are ¥1,955 and ¥2,049 (US$19) for the six months ended December 31, 2019 and June 30, 2020, respectively.

Note 14 – 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:

	For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Rental business revenues:			
Rent revenues－real estate:			
Rental revenues	¥ 6,387	¥ 6,855	$ 63,625
Common area charges	1,283	1,279	11,871
Parking lots	198	209	1,939
Total rent revenues－real estate	7,869	8,344	77,445
Other rental business revenues:			
Utilities	451	453	4,204
Cancellation penalty	4	—	—
Other	81	100	928
Total other rental business revenues	536	554	5,142
Total rental business revenues	¥ 8,406	¥ 8,899	$ 82,596
Expenses related to rental business:			
Property management fees	¥ 872	¥ 931	$ 8,641
Utilities	630	564	5,234
Property-related taxes	679	722	6,701
Insurance	8	8	74
Repair and maintenance	275	300	2,784
Depreciation	1,193	1,267	11,759
Loss on retirement of noncurrent assets	1	1	9
Other	68	53	491
Total expenses related to rental business	¥ 3,729	¥ 3,849	$ 35,724
Operating income from property leasing activities	¥ 4,677	¥ 5,050	$ 46,872

Note 15 – 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 16 – Subsidy Income and Reduction Entry of Property

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

Note 17 – Income Taxes

The Company is subject to corporate income taxes in Japan. The Company may deduct from its taxable income the amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Act of Japan. Under this act, the Company must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If the Company does not satisfy all of the requirements, the entire taxable income of the Company will be subject to regular corporate income taxes in Japan.

The Company has a policy of making distributions in excess of 90% of its distributable profit for the fiscal period to qualify for conditions set forth in the Special Taxation Measures Act of Japan to achieve a deduction of distributions for income tax purpose and it distributes approximately 100% of distributable profit. Hence, the Company has treated the distributions as a tax allowable deduction as defined in the Special Taxation Measures Act of Japan.

A reconciliation of the Company's effective tax rates and statutory tax rates are as follows:

	For the six months ended	
	December 31, 2019	June 30, 2020
	(Rate)	
Statutory tax rate	31.51%	31.46%
Deductible cash distributions	(32.43)	(31.42)
Reversal of reserve for reduction entry of property	0.92	―
Other	0.02	0.06
Effective tax rate	0.02%	0.10%

Deferred tax assets consist of the following:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Noncurrent:			
Enterprise tax payable	¥ 0	¥ ―	$ ―
Total	0	―	―
Net deferred tax assets	¥ 0	¥ ―	$ ―

Note 18 – Leases

(a) Lease Rental Revenues

The Company 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:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 4,467	¥ 4,805	$ 44,598
Due after one year	6,583	5,939	55,123
Total	¥ 11,051	¥ 10,745	$ 99,730

(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:

	As of		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 6	¥ 4	$ 37
Due after one year	1	—	—
Total	¥ 7	¥ 4	$ 37

Note 19 – Financial Instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Company 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 Company 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.

	As of								
	December 31, 2019			June 30, 2020			June 30, 2020		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
	(in millions of yen)						(in thousands of U.S. dollars)		
Assets:									
(1) Cash and bank deposits	¥ 8,882	¥ 8,882	¥ —	¥ 10,024	¥ 10,024	¥ —	$ 93,038	$ 93,038	$ —
(2) Cash and bank deposits in trust	5,554	5,554	—	5,881	5,881	—	54,585	54,585	—
Total assets	¥ 14,436	¥ 14,436	¥ —	¥ 15,906	¥ 15,906	¥ —	$ 147,633	$ 147,633	$ —
Liabilities:									
(1) Current portion of investment corporation bonds – unsecured	—	—	—	¥ 1,500	¥ 1,498	¥ (1)	$ 13,922	$ 13,903	$ (9)
(2) Current portion of long-term loans payable	¥ 22,850	¥ 22,943	¥ 93	19,600	19,648	48	181,919	182,364	445
(3) Investment corporation bonds – unsecured	8,000	7,975	(24)	6,500	6,429	(70)	60,330	59,671	(649)
(4) Long-term loans payable	96,125	97,029	904	99,375	100,398	1,023	922,359	931,854	9,495
Total liabilities	¥ 126,975	¥ 127,949	¥ 974	¥ 126,975	¥ 127,975	¥ 1,000	$ 1,178,531	$ 1,187,813	$ 9,281
Derivative instruments	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —

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

Assets

(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.

Liabilities

(1) Current portion of Investment corporation bonds – unsecured and (3) Investment corporation bonds – unsecured

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

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

Derivative instruments

Please refer to “Note 20 - Derivative Instruments” for further information.

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

	As of December 31, 2019	As of June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Investment securities	¥ 5,085	¥ 5,085	$ 47,196
Tenant leasehold and security deposits	13,589	13,702	127,176

The investment securities (equity interests in Tokumei Kumiai) 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 flow schedule of financial assets after the balance sheet date

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
As of December 31, 2019:						
Cash and bank deposits	¥ 8,882	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and bank deposits in trust	5,554	—	—	—	—	—
Total	¥ 14,436	¥ —	¥ —	¥ —	¥ —	¥ —
As of June 30, 2020:						
Cash and bank deposits	¥ 10,024	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and bank deposits in trust	5,881	—	—	—	—	—
Total	¥ 15,906	¥ —	¥ —	¥ —	¥ —	¥ —

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of June 30, 2020:						
Cash and bank deposits	$ 93,038	$ —	$ —	$ —	$ —	$ —
Cash and bank deposits in trust	54,585	—	—	—	—	—
Total	$ 147,633	$ —	$ —	$ —	$ —	$ —

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

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions of yen)					
As of December 31, 2019:						
Investment corporation bonds – unsecured	—	1,500	1,000	—	—	5,500
Long -term loans payable	¥ 22,850	¥ 14,250	¥ 9,900	¥ 11,100	¥ 10,700	¥ 50,175
As of June 30, 2020:						
Investment corporation bonds – unsecured	1,500	1,000	—	—	—	5,500
Long -term loans payable	¥ 19,600	¥ 12,950	¥ 11,200	¥ 11,800	¥ 12,650	¥ 50,775

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of June 30, 2020:						
Long-term loans payable	$ 181,919	$ 120,196	$ 103,953	$ 109,522	$ 117,412	$ 471,273
Investment corporation bonds – unsecured	13,922	9,281	—	—	—	51,048

Note 20 – Derivative Instruments

Information on derivative transactions undertaken by the Company as of December 31, 2019 and June 30, 2020 is as follows. Derivative instruments are used only for hedging purposes and subject to hedge accounting.

For the six months ended December 31, 2019:

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts[(2)] Total	Notional amounts[(2)] Over 1 year	Fair value[(1)]
			(in millions of yen)		
Special treatment for hedge accounting of interest rate swaps[(1)]	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 31,600	¥ 20,300	¥ –
Total			¥ 31,600	¥ 20,300	¥ –

For the six months ended June 30, 2020:

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts[(2)] Total	Notional amounts[(2)] Over 1 year	Fair value[(1)]	Notional amounts[(2)] Total	Notional amounts[(2)] Over 1 year	Fair value[(1)]
			(in millions of yen)			(in thousands of U.S. dollars)		
Special treatment for hedge accounting of interest rate swaps[(1)]	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term loans payable	¥ 34,700	¥ 20,600	¥ –	$ 322,071	$ 191,201	$ –
Total			¥ 34,700	¥ 20,600	¥ –	$ 322,071	$ 191,201	$ –

Notes:

(1) As disclosed in "Note 2 Summary of Significant Accounting Policies (h) Hedge Accounting", the Company 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 hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instruments and the long-term loans payable as hedged items is calculated together as one and disclosed as such under Note (i) in "Note 19 Financial Instruments (b) Quantitative Information for financial instruments".

(2) The notional amounts do not represent the market risk exposure associated with the derivative instruments.

Note 21 – Related-Party Transactions

Information on related-party transactions for the six months ended December 31, 2019 and June 30, 2020 is as follows.

For the six months ended December 31, 2019:

Not applicable.

For the six months ended June 30, 2020:

Not applicable.

Note 22 – Per Unit Information

Following table shows the net asset value per unit as of December 31, 2019 and June 30, 2020 and net income per unit for the six months then ended.

	As of / For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(Yen)		(U.S. dollars)
Net asset value per unit	¥ 87,453	¥ 87,548	$ 812
Net income per unit	2,023	2,049	19

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 Company has no dilutive units.

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

	For the six months ended		
	December 31, 2019	June 30, 2020	June 30, 2020
	(in millions of yen)		(in thousands of U.S. dollars)
Net income	¥ 3,388	¥ 3,657	$ 33,942
Amount not attributable to common unitholders	—	—	—
Net income attributable to common unitholders	3,388	3,657	33,942
Weighted average number of units	1,675,011 units	1,784,125 units	

Note 23 – 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 Company 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

For the six months ended December 31, 2019:

Name of Customer	Revenues (in millions of yen)	Related Segment
Panasonic Corporation	¥ 1,049	Property rental business

For the six months ended June 30, 2020:

Name of Customer	Revenues		Related Segment
	(in millions of yen)	(in thousands of U.S. dollars)	
Panasonic Corporation	¥ 1,047	$ 9,717	Property rental business

Note 24 – Subsequent events

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

MCUBS MidCity Investment Corporation (hereinafter "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 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, 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 Fiscal 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.

Statements of cash distributions (Reference information)

(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.