

Invincible Investment
Corporation

Audited Financial Statements
for the 22nd Fiscal Period
(from January 1, 2014 to June 30, 2014)

 **Greetings from Naoki Fukuda, Executive Director of Invincible Investment Corporation and President & CEO of Consonant Investment Management Co., Ltd.**

It gives me much pleasure to take this opportunity to express my sincere gratitude to all investors of Invincible Investment Corporation (“INV”) for your ongoing support.

We hereby provide you with a report on INV’s financial results and operational condition for the 22nd period (covering the period from January 1, 2014 to June 30, 2014).

First, with respect to the operation of our properties, we completed the change of properties in our portfolio through sale of seven senior housing properties on May 22, 2014 and acquisition of two limited service/extended stay hotels on May 23, 2014. Resulting therefrom, a gain on sales of real estate amounting JPY 1,003 million was recorded, and concurrently, the internal growth capability of the portfolio of properties was enhanced through acquiring the hotel assets with a potential for rent upside in the future.

Additionally, with respect to the operation of the existing properties held, the rent revenue for the period was JPY 2,772 million, increased by JPY 31 million over the previous period due to the rent increase program of residential properties, intensive approach to lower net leasing cost, and promoting the leasing of office and retail properties, and the operating income for the period is, by combining with the above-mentioned JPY 1,003 million of the gain on sales of real properties, JPY 3,775 million, which is an approximately 38% increase over the previous period.

With respect to financial management, on May 23, 2014, we successfully refinanced the existing Prudential LPS Loan (total outstanding balance of JPY 11,000 million with an average interest rate of 2.50% as of the repayment), whose interest rate level was higher in comparison with the other existing loans, through a new syndicate loan (borrowing amount of JPY 13,500 million with an interest rate of 0.98% as of the exercise of the refinancing (Note)) and further reduced the borrowing costs.

Furthermore, on June 23, 2014, we resolved to conduct (i) a public offering by way of global offering, (ii) new refinancing (borrowing amount of JPY 57,300 million with an interest rate of 0.98% as of the exercise of the refinancing (Note)) and (iii) acquisition of 18 limited service hotels using the proceeds from financing (acquisition cost of JPY 39.9 billion) and formulated specific measures for the periods going forward to increase profitability by increasing assets and further reducing borrowing costs.

Consequently, despite the one-time cost related to the borrowing and equity financing, the net income for the period was JPY 901 million, approximately 1.6 times to the previous period, and the DPU (distribution per unit) was JPY 573, approximately 1.4 times to the previous period.

Furthermore, we expect that the net income for the fiscal period ending December 31, 2014, for which the effect resulting from the property acquisition and refinancing exercised in May and July 2014 will contribute for the full fiscal period, is estimated to be JPY 1,601 million, an increase by JPY 699 million (77.6%) over the current period, and despite the increase in one-time cost related to the equity financing and an increase in number of outstanding units, distribution per unit is estimated to be JPY 600.

We are in another stage of growth through the achievement of the aforementioned global offering, refinancing and acquisition of 20 hotel properties.

Going forward, we will seek further growth of INV and further enhancement of unitholders' value through internal growth by pursuit of rent upside focusing on hotel and residential properties and further increases in occupancy rate, and additional reduction in borrowing costs, as well as through external growth by acquisition of properties focusing on residential and hotel properties deemed as being core assets.

We look forward to receiving the continued support of all of our unitholders.

Naoki Fukuda

Executive Director, Invincible Investment Corporation

President and CEO, Consonant Investment Management Co. Ltd.

(Note) 1 month TIBOR + 0.8%. As for the first interest calculation period, 2 months TIBOR + 0.8%.

Fixed Distributions	The 22nd fiscal period (the fiscal period ended June 2014)	Per investment unit JPY 573
Forecast Distributions	The 23rd fiscal period (the fiscal period ending December 2014)	Per investment unit JPY 600

(Note) We are forecasting operating revenues of JPY 4,323 million and net income of JPY 1,601 million for the 23rd fiscal period (the fiscal period ending December 2014).

The forward-looking statements, forecasts and goals mentioned above are based on available information, assumptions and estimates as of August 27, 2014. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV's control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

Financial Statements

Invincible Investment Corporation

*The six months ended June 30, 2014
with Independent Auditor's Report*

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Independent Auditor's Report

The Board of Directors
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at June 30, 2014, and the statements of income and retained earnings, changes in net assets, and cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invincible Investment Corporation as at June 30, 2014, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 20 to the financial statements, which describes issuance of new investment units, a new borrowing, the prepayment of existing borrowings and acquisition of assets. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

September 25, 2014
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET

As of June 30, 2014

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4, 7 and 16)	¥ 1,457,257	¥ 759,058	\$ 7,488
Cash and bank deposits in trust (Notes 4, 7 and 16)	2,729,902	2,765,504	27,283
Accounts receivable	-	2,574	25
Rental receivables	10,948	71,193	702
Prepaid expenses	122,321	120,941	1,193
Consumption taxes receivable	7,419	-	-
Advances paid	-	17,138	169
Other	10	0	0
Allowance for doubtful accounts	(2,573)	(1,391)	(13)
Total current assets	4,325,286	3,735,018	36,849
Non-current assets:			
Property and equipment (Notes 5, 6 and 7):			
Buildings, at cost	2,680,174	85,914	847
Buildings and accompanying facilities, at cost	50,691	38,862	383
Structures, at cost	3,848	2,779	27
Land	2,713,620	711,834	7,022
Buildings in trust, at cost	29,762,419	31,162,188	307,440
Buildings and accompanying facilities in trust, at cost	6,763,740	7,151,824	70,558
Structures in trust, at cost	320,904	321,317	3,170
Tools, furniture and fixtures in trust, at cost	155,616	177,438	1,750
Land in trust	36,582,527	40,447,565	399,048
Subtotal	79,033,544	80,099,725	790,249
Less: Accumulated depreciation	(4,450,083)	(4,736,504)	(46,729)
Total property and equipment, net	74,583,461	75,363,220	743,520
Intangible assets:			
Other	137	106	1
Total intangible assets	137	106	1
Investments and other assets:			
Guarantee deposits	10,000	10,000	98
Long-term prepaid expenses	224,371	119,338	1,177
Other	33,375	34,070	336
Total investments and other assets	267,746	163,409	1,612
Total non-current assets	74,851,345	75,526,736	745,133
TOTAL ASSETS	¥ 79,176,632	¥ 79,261,754	\$ 781,982

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Accounts payable	¥ 174,201	¥ 143,439	\$ 1,415
Short-term loans payable (Notes 7, 8 and 16)	-	13,488,750	133,077
Current portion of long-term loans payable (Notes 7, 8 and 16)	203,520	17,552,100	173,165
Current portion of long-term loans payable in trust (Notes 7, 8 and 16)	105,833	-	-
Accounts payable-other	5,000	32,733	322
Accrued expenses	229,843	121,934	1,202
Income taxes payable	525	520	5
Consumption taxes payable	-	143,637	1,417
Advances received	385,886	357,522	3,527
Deposits received	5,048	32,927	324
Total current liabilities	1,109,859	31,873,567	314,459
Non-current liabilities:			
Long-term loans payable (Notes 7, 8 and 16)	20,146,480	-	-
Long-term loans payable in trust (Notes 7, 8 and 16)	20,854,166	9,960,000	98,263
Tenant leasehold and security deposits in trust (Note 16)	1,037,721	1,025,726	10,119
Tenant leasehold and security deposits (Note 16)	183,579	28,663	282
Total non-current liabilities	42,221,948	11,014,390	108,666
TOTAL LIABILITIES	43,331,808	42,887,957	423,125
NET ASSETS (Note 9)			
Unitholders' equity:			
Unitholders' capital	29,134,389	29,134,389	287,434
Capital surplus	6,264,432	6,264,432	61,803
Retained earnings	446,003	974,975	9,618
Total unitholders' equity	35,844,824	36,373,796	358,857
TOTAL NET ASSETS	35,844,824	36,373,796	358,857
TOTAL LIABILITIES AND NET ASSETS	¥ 79,176,632	¥ 79,261,754	\$ 781,982

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

INVINCIBLE INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the six months ended June 30, 2014

	For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rental revenue—real estate (Note 11)	¥ 2,740,449	¥ 2,772,419	\$ 27,352
Gain on sales of properties (Note 14)	-	1,003,352	9,898
Total operating revenue	2,740,449	3,775,772	37,251
Operating expenses			
Property related expenses (Note 11)	1,261,221	1,281,791	12,645
Directors' compensation	4,800	4,800	47
Asset management fees	125,000	125,000	1,233
Asset custody fees	3,986	3,906	38
Administrative service fees	19,089	18,224	179
Provision of allowance for doubtful accounts	1,045	-	-
Bad debt expense	2,561	-	-
Other	56,975	107,404	1,059
Total operating expenses	1,474,679	1,541,127	15,204
Operating income	1,265,770	2,234,644	22,046
Non-operating income			
Interest income	400	404	3
Profit from loan-related costs adjustment (Note 13)	354,737	-	-
Reversal of allowance for doubtful accounts	-	475	4
Other	406	898	8
Total non-operating income	355,544	1,777	17
Non-operating expenses			
Interest expenses	672,128	376,514	3,714
Loan-related costs	579,038	842,043	8,307
Investment unit issuance costs	15,487	115,438	1,138
Other	1,300	5	0
Total non-operating expenses	1,267,953	1,334,001	13,161
Ordinary income	353,360	902,420	8,903
Income before income taxes	353,360	902,420	8,903
Income taxes (Note 12):			
Current	605	605	5
Deferred	-	-	-
Total income taxes	605	605	5
Net income	352,755	901,815	8,897
Retained earnings brought forward	93,247	73,159	721
Unappropriated retained earnings (Note 10)	¥ 446,003	¥ 974,975	\$ 9,618

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended June 30, 2014

	Unitholders' equity					
	Unitholders' capital	Surplus			Total unitholders' equity	Total net assets
		Capital surplus	Retained earnings	Total surplus		
(in thousands of yen)						
Balance as of June 30, 2013	¥ 26,134,396	¥ 6,264,432	¥ 449,196	¥ 6,713,628	¥ 32,848,025	¥ 32,848,025
Changes during the period						
Issuance of new investment units	2,999,992	-	-	-	2,999,992	2,999,992
Dividends from surplus	-	-	(355,949)	(355,949)	(355,949)	(355,949)
Net income	-	-	352,755	352,755	352,755	352,755
Total changes during the period	2,999,992	-	(3,193)	(3,193)	2,996,799	2,996,799
Balance as of December 31, 2013	¥ 29,134,389	¥ 6,264,432	¥ 446,003	¥ 6,710,435	¥ 35,844,824	¥ 35,844,824
Changes during the period						
Dividends from surplus	-	-	(372,843)	(372,843)	(372,843)	(372,843)
Net income	-	-	901,815	901,815	901,815	901,815
Total changes during the period	-	-	528,972	528,972	528,972	528,972
Balance as of June 30, 2014	¥ 29,134,389	¥ 6,264,432	¥ 974,975	¥ 7,239,407	¥ 36,373,796	¥ 36,373,796

	Unitholders' equity					
	Unitholders' capital	Surplus			Total unitholders' equity	Total net assets
		Capital surplus	Retained earnings	Total surplus		
(in thousands of U.S. dollars)						
Balance as of December 31, 2013	\$ 287,434	\$ 61,803	\$ 4,400	\$ 66,203	\$ 353,638	\$ 353,638
Changes during the period						
Dividends from surplus	-	-	(3,678)	(3,678)	(3,678)	(3,678)
Net income	-	-	8,897	8,897	8,897	8,897
Total changes during the period	-	-	5,218	5,218	5,218	5,218
Balance as of June 30, 2014	\$ 287,434	\$ 61,803	\$ 9,618	\$ 71,422	\$ 358,857	\$ 358,857

The accompanying notes are an integral part of these financial statements

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

For the six months ended June 30, 2014

	For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 353,360	¥ 902,420	\$ 8,903
Depreciation and amortization	527,451	527,945	5,208
Profit from loan-related costs adjustment	(354,737)	-	-
Investment unit issuance costs	15,487	115,438	1,138
Loan-related costs	579,038	842,043	8,307
Amortization of tenant leasehold and security deposits in trust	(683)	(435)	(4)
Interest income	(400)	(404)	(3)
Interest expenses	672,128	376,514	3,714
Changes in assets and liabilities			
Increase (decrease) in allowance for doubtful accounts	1,045	(1,181)	(11)
Decrease (increase) in rental receivables	6,458	(60,244)	(594)
Decrease (increase) in deposits paid	748,197	-	-
Decrease (increase) in consumption taxes receivable	(7,419)	7,419	73
Increase (decrease) in consumption taxes payable	(24,902)	143,637	1,417
Increase (decrease) in accounts payable	24,617	(87,869)	(866)
Increase (decrease) in accounts payable other	-	(1,613)	(15)
Increase (decrease) in accrued expenses	(127,432)	18,110	178
Increase (decrease) in advances received	8,411	(28,364)	(279)
Increase (decrease) in deposits received	(3,553)	10,909	107
Decrease in property and equipment, due to sale	-	4,367,451	43,088
Other, net	5,481	(6,762)	(66)
Subtotal	2,422,548	7,125,015	70,294
Interest income received	390	404	3
Interest expenses paid	(650,982)	(502,533)	(4,957)
Income taxes paid	(606)	(609)	(6)
Net cash provided by operating activities	1,771,350	6,622,276	65,334
Cash flows from investing activities:			
Purchases of property and equipment in trust	(158,960)	(5,618,018)	(55,426)
Repayments of tenant leasehold and security deposits	-	(154,916)	(1,528)
Repayments of tenant leasehold and security deposits in trust	(49,761)	(93,087)	(918)
Proceeds from tenant leasehold and security deposits in trust	39,531	81,527	804
Other, net	(694)	(17,833)	(175)
Net cash used in investing activities	(169,885)	(5,802,328)	(57,244)
Cash flows from financing activities:			
Proceeds from short-term loans payable	-	13,500,000	133,188
Repayments of short-term loans payable	-	(11,250)	(110)
Proceeds from long-term loans payable	20,350,000	-	-
Repayments of long-term loans payable	(22,891,500)	(2,797,899)	(27,603)
Repayments of long-term loans payable in trust	-	(11,000,000)	(108,524)
Payments for loan-related costs	(1,618,501)	(732,126)	(7,223)
Distribution payments	(355,323)	(342,802)	(3,382)
Proceeds from issuance of investment units	2,999,992	-	-
Payment of Investment unit issuance costs	-	(98,468)	(971)
Other, net	(16,787)	-	-
Net cash used in financing activities	(1,532,119)	(1,482,546)	(14,626)
Net increase (decrease) in cash and cash equivalents	69,344	(662,597)	(6,537)
Cash and cash equivalents at beginning of period	4,117,815	4,187,160	41,309
Cash and cash equivalents at end of period (Note 4)	¥ 4,187,160	¥ 3,524,562	\$ 34,772

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

INVINCIBLE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and for the six months ended June 30, 2014**1. Organization**

Invincible Investment Corporation (the "Company"), a real estate investment corporation, was incorporated on January 18, 2002, under the Act on Investment Trusts and Investment Corporations of Japan (the "Investment Trust Act") with initial capital of ¥200 million.

The Company is externally managed by a registered asset management company, Consonant Investment Management Co., Ltd. (the "Asset Manager"). The Asset Manager is currently owned 100% by Calliope Godo Kaisha (Calliope). The Company was formed to invest primarily in properties in Japan.

On May 17, 2004, the Company raised ¥3,377,250 thousand through an initial public offering of 9,000 investment units. As a "comprehensive investment REIT focusing on the Tokyo metropolitan area and on residential properties," The Company was listed on the Osaka Securities Exchange in May 2004.

On February 7, 2005, the Company completed its second public offering of 10,650 investment units at a price of ¥369,734 per unit in connection with a public offering in Japan.

On July 31, 2006, the Company completed its third public offering of 25,000 investment units at a price of ¥332,045 per unit in connection with a public offering in Japan. The Company was listed on the J-REIT market of the Tokyo Stock Exchange in August 2006 (in order to focus trading on one securities exchange and reduce administrative tasks and costs accompanying a duplicate listing, The Company delisted from the Osaka Securities Exchange on October 6, 2007).

Effective on February 1, 2010, the Company executed a five-to-one unit split and 215,596 investment units were issued in connection with the unit split. Effective on the same day, the Company also merged with LCP Investment Corporation (LCP) and allocated 367,200 investment units at a ratio of 4 units (post-unit split) of the Company per one investment unit of LCP. As a result, investment units issued and outstanding were 636,695 units as of February 1, 2010.

On July 29, 2011, the Company completed a third party allotment of 711,597 investment units at a price of ¥9,837 per unit.

On December 20, 2013, the Company completed a third party allotment of 224,887 investment units at a price of ¥13,340 per unit.

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 of Japan, 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 financial statements are prepared based on the Japanese audited 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 of Japan. In preparing the accompanying financial statements, certain information in the notes has been added and certain reclassifications have been made from 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.

Amounts less than ¥1 thousand and US\$ 1 thousand have been rounded down. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

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

Property and equipment are 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:

	For the six months ended
	June 30, 2014
Buildings	40.77 years
Buildings and accompanying facilities	8-24
Structures	7-18
Buildings in trust	6-66
Buildings and accompanying facilities in trust	2-32
Structures in trust	4-55
Tools, furniture and fixtures in trust	2-15

(d) Intangible Assets

Intangible assets are amortized on a straight-line basis.

(e) Long-term Prepaid Expenses

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

(f) Investment Unit Issuance Costs

Investment unit issuance costs are recorded as expenses when incurred.

(g) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and a valuation of any receivables from companies and individuals with financial difficulties.

(h) Impairment of Fixed Assets

An assessment for impairment is carried out on an asset or group of assets, such as fixed assets, intangible assets and investments, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset or group of assets is deemed to be impaired, an impairment loss is recognized for the difference between the carrying amount and the recoverable value of the asset or group of assets using the discounted cash flow model.

(i) 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 accounts of the balance sheet and statement of income and retained earnings of the Company in proportion to the percentage 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.

(j) 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.

(k) Consumption Taxes

Consumption taxes withheld and consumption taxes paid are not included in the statement of income and retained earnings. 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.

(l) Taxes on Property and Equipment

Property and equipment are subject to various taxes, such as property taxes and urban planning taxes on an annual basis. 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 ¥10,574 thousand for the six months ended June 30, 2014.

3. U.S. Dollar Amounts

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 ¥101.36 = US\$1, the effective rate of exchange prevailing at June 30, 2014. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2014 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.

4. 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, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 1,457,257	¥ 759,058	\$ 7,488
Cash and bank deposits in trust	2,729,902	2,765,504	27,283
Cash and cash equivalents	¥ 4,187,160	¥ 3,524,562	\$ 34,772

5. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended June 30, 2014.

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of yen)						
Buildings	¥ 2,680,174	¥ -	¥ 2,594,259	¥ 85,914	¥ 7,783	¥ 18,584	¥ 78,131
Buildings and accompanying facilities	50,691	-	11,829	38,862	17,352	1,196	21,510
Structures	3,848	-	1,069	2,779	1,138	106	1,640
Land	2,713,620	-	2,001,786	711,834	-	-	711,834
Buildings in trust	29,762,419	1,399,769	-	31,162,188	2,623,404	284,046	28,538,783
Buildings and accompanying facilities in trust	6,763,740	388,083	-	7,151,824	1,891,879	201,264	5,259,944
Structures in trust	320,904	412	-	321,317	109,047	11,788	212,270
Tools, furniture and fixtures in trust	155,616	21,821	-	177,438	85,898	10,927	91,540
Land in trust	36,582,527	3,865,038	-	40,447,565	-	-	40,447,565
Total	¥ 79,033,544	¥ 5,675,125	¥ 4,608,945	¥ 80,099,725	¥ 4,736,504	¥ 527,914	¥ 75,363,220

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
(in thousands of U.S. dollars)							
Buildings	\$ 26,442	\$ -	\$ 25,594	\$ 847	\$ 76	\$ 183	\$ 770
Buildings and accompanying facilities	500	-	116	383	171	11	212
Structures	37	-	10	27	11	1	16
Land	26,772	-	19,749	7,022	-	-	7,022
Buildings in trust	293,630	13,809	-	307,440	25,882	2,802	281,558
Buildings and accompanying facilities in trust	66,729	3,828	-	70,558	18,664	1,985	51,893
Structures in trust	3,165	4	-	3,170	1,075	116	2,094
Tools, furniture and fixtures in trust	1,535	215	-	1,750	847	107	903
Land in trust	<u>360,916</u>	<u>38,131</u>	<u>-</u>	<u>399,048</u>	<u>-</u>	<u>-</u>	<u>399,048</u>
Total	<u>\$ 779,731</u>	<u>\$ 55,989</u>	<u>\$ 45,471</u>	<u>\$ 790,249</u>	<u>\$ 46,729</u>	<u>\$ 5,208</u>	<u>\$ 743,520</u>

Increases in the net book values are mainly due to the acquisition of two properties (¥5,490,000 thousand) as shown below and capitalized construction costs and decreases in the net book values are mainly due to sale of seven properties and depreciation.

Property No.	Property name	Acquisition cost (in thousands of yen)
D1	Hotel MyStays Kanda	2,880,000
D2	Hotel MyStays Asakusa	2,610,000

6. Fair Value of Investment and Rental Properties

The following tables show the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2013 and June 30, 2014.

Residential

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 56,520,161	¥ 56,192,804	\$ 554,388
Net increase (decrease) during period	(327,357)	(318,340)	(3,140)
Balance at the end of period	<u>56,192,804</u>	<u>55,874,464</u>	<u>551,247</u>
Fair value	¥ 57,921,000	¥ 58,865,000	\$ 580,751

Office

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 8,567,749	¥ 8,585,639	\$ 84,704
Net increase (decrease) during period	17,889	(5,687)	(56)
Balance at the end of period	<u>8,585,639</u>	<u>8,579,951</u>	<u>84,648</u>
Fair value	¥ 7,175,000	¥ 7,288,000	\$ 71,902

Retail facilities

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 5,352,806	¥ 5,318,657	\$ 52,472
Net increase (decrease) during period	(34,149)	(43,018)	(424)
Balance at the end of period	<u>5,318,657</u>	<u>5,275,638</u>	<u>52,048</u>
Fair value	¥ 5,420,000	¥ 5,520,000	\$ 54,459

Parking lots

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 100,851	¥ 100,838	\$ 994
Net increase (decrease) during period	(13)	(13)	(0)
Balance at the end of period	100,838	100,825	994
Fair value	¥ 92,800	¥ 105,000	\$ 1,035

Senior Living

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 4,412,629	¥ 4,385,522	\$ 43,266
Net increase (decrease) during period	(27,106)	(4,385,522)	(43,266)
Balance at the end of period	4,385,522	-	-
Fair value	¥ 4,821,000	¥ -	\$ -

Hotel

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ -	¥ -	\$ -
Net increase (decrease) during period	-	5,532,341	54,581
Balance at the end of period	-	5,532,341	54,581
Fair value	¥ -	¥ 5,490,000	\$ 54,163

Notes:

Fair value has been determined based on the appraisals or research provided by independent real estate appraisers.

For rental revenues and expenses for the six months ended December 31, 2013 and June 30, 2014, please refer to "Note 11: Rent Revenues—Real Estate and Expenses Related to Property Rental Business"

7. Collateral

The following table shows the assets pledged as collateral to secure short-term loans payable, long-term loans payable and long-term loans payable in trust.

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 167,136	¥ 153,187	\$ 1,511
Cash and bank deposits in trust	2,729,902	2,765,504	27,283
Buildings	2,461,796	78,131	770
Buildings and accompanying facilities	22,706	21,510	212
Structures	2,330	1,640	16
Land	2,713,620	711,834	7,022
Buildings in trust	27,423,061	28,538,783	281,558
Buildings and accompanying facilities in trust	5,073,126	5,259,944	51,893
Structures in trust	223,646	212,270	2,094
Tools, furniture and fixtures in trust	80,646	91,540	903
Land in trust	36,582,527	40,447,565	399,048
Total	¥ 77,480,500	¥ 78,281,912	\$ 772,315

The following table shows the loans payable secured by collateral.

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Short-term loans payable	¥ -	¥ 13,488,750	\$ 133,077
Current portion of long-term loans payable	203,520	17,552,100	173,165
Long-term loans payable	20,146,480	-	-
Current portion of long-term loans payable in trust	105,833	-	-
Long-term loans payable in trust	20,854,166	9,960,000	98,263
Total	¥ 41,310,000	¥ 41,000,850	\$ 404,507

8. Loans Payable

The following tables show the details of loans payable for the six months ended June 30, 2014.

For the six months ended June 30, 2014

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Short-term loans payable	Sumitomo Mitsui Banking Corporation(4)	-	3,500,000	2,916	3,497,083	-	34,530	28	34,501	0.979	May 22, 2015	(2)(3)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ,Ltd. (4)	-	3,500,000	2,916	3,497,083	-	34,530	28	34,501	0.979			
	Mizuho Bank Ltd.(4)	-	3,500,000	2,916	3,497,083	-	34,530	28	34,501	0.979			
	Sumitomo Mitsui Trust Bank, Limited(4)	-	3,000,000	2,500	2,997,500	-	29,597	24	29,572	0.979			
	Total Short-term loans payable	-	13,500,000	11,250	13,488,750	-	133,188	110	133,077	-	-	-	-
Long-term loans payable (8)	Sumitomo Mitsui Banking Corporation (5)	5,500,000	-	756,188	4,743,811	54,262	-	7,460	46,801	1.652	December 20, 2016	(3)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ,Ltd. (5)	5,500,000	-	756,188	4,743,811	54,262	-	7,460	46,801	1.652	December 20, 2016		
	Shinsei Bank, Limited (5)	4,000,000	-	549,955	3,450,044	39,463	-	5,425	34,037	1.652	December 20, 2016		
	Citibank Japan Ltd. (5)	2,000,000	-	274,977	1,725,022	19,731	-	2,712	17,018	1.652	December 20, 2016		
	Shinsei Trust & Banking Co., Ltd.(5)	2,000,000	-	274,977	1,725,022	19,731	-	2,712	17,018	1.652	December 20, 2016		
	Aozora Bank, Ltd.(5)	1,350,000	-	185,610	1,164,389	13,318	-	1,831	11,487	1.652	December 20, 2016		
	Total long-term loans payable	20,350,000	-	2,797,899	17,552,100	200,769	-	27,603	173,165	-	-	-	-
Long-term loans payable in trust	Mizuho Trust & Banking Co., Ltd.(6)	3,750,000	-	3,750,000	-	36,996	-	36,996	-	2.500	January 25, 2017	(3)	Secured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.(6)	3,620,000	-	3,620,000	-	35,714	-	35,714	-	2.500	January 25, 2018		
	Mizuho Trust & Banking Co., Ltd.(6)	3,630,000	-	3,630,000	-	35,812	-	35,812	-	2.500	January 25, 2019		

Mitsubishi UFJ Trust and Banking Corporation (7)	2,700,000	—	—	2,700,000	26,637	—	—	26,637	1,900	March 31, 2018	(2)	
Mitsubishi UFJ Trust and Banking Corporation (7)	2,860,000	—	—	2,860,000	28,216	—	—	28,216	1,900	March 31, 2019		
Mitsubishi UFJ Trust and Banking Corporation (7)	1,830,000	—	—	1,830,000	18,054	—	—	18,054	1,900	March 31, 2020		
Mitsubishi UFJ Trust and Banking Corporation (7)	2,570,000	—	—	2,570,000	25,355	—	—	25,355	1,900	March 31, 2019		
Total long-term loans payable in trust	20,960,000	—	11,000,000	9,960,000	206,787	—	108,524	98,263	—	—	—	—
Total loans payable	41,310,000	13,500,000	13,809,149	41,000,850	407,557	133,188	136,238	404,507	—	—	—	—

Notes:

- (1) The average interest rate indicates a weighted average interest rate for each six month period, rounded to the fourth decimal places.
- (2) The funds are mainly used to acquire real estate properties or properties in trust.
- (3) Used for repayment of loans payable.
- (4) A portion of the principal in the amount of ¥11 million is repaid on each interest payment date (every month), and the remaining balance is to be repaid in full on July 17, 2014.
- (5) A portion of the principal in the amount of ¥16 million is repaid on each interest payment date (every month) and another portion of the principal in the amount of ¥2,696 million was repaid on May 22, 2014, upon transferring of real estate properties. The remaining balance is to be repaid in full on July 17, 2014.
- (6) Mizuho Trust & Banking Co., Ltd. ("Mizuho Trust"), the trustee of real estate held in trust for which the Company is the beneficiary, borrows money from Prudential Mortgage Asset Holdings 1 Japan Investment Business Limited Partnership, a part of the Prudential Financial, Inc. as of July 29, 2011. The Company will receive the borrowed funds (after deducting reserves and other proceeds) from Mizuho Trust as payment of the trust principal for the real estate in trust on the same day. The principal was repaid in full on May 23, 2014.
- (7) The Company will pay the amount of ¥2,700 million on the principal maturity date. As for the amounts of ¥2,860 million and ¥1,830 million, the Company will start to pay principal on every interest due date (every 3 months) after 5 years from the borrowing date. Each repaid amounts are calculated on the assumption that the remaining balance is repaid in equal installments over 30 years (120 payments in total). The balance after the above payments will be paid fully on the principal maturity date. As for the amount of ¥2,570 million, the Company will start to pay principal on every interests due date (every 3 months) after 3 years from the borrowing date. Each repaid amounts are calculated on the assumption that the remaining balance is repaid in equal installments over 27 years (108 payments in total). The balance after the above payments will be repaid fully on the principal maturity date. Mitsubishi UFJ Trust and Banking Corporation ("Mitsubishi UFJ Trust"), the trustee of real estate held in trust for which the Company is the beneficiary, borrows money from Prudential Mortgage Asset Holdings 1 Japan Investment Business Limited Partnership, a part of the Prudential Financial, Inc. as of September 28, 2012. The Company will receive the borrowed funds (after deducting reserves and other proceeds) from Mitsubishi UFJ Trust as payment of the trust principal for the real estate in trust on the same day.
- (8) Long-term loans payable include current portion.

Repayment schedule of long-term loans payable in trust (except for the current portion) for the next five years after each balance sheet date are as follows:

	As of	
	June 30, 2014	June 30, 2014
	(in thousands of yen)	(in thousands of U.S. dollars)
1-2 years	¥ 54,894	\$ 541
2-3 years	74,639	736
3-4 years	2,863,679	28,252
4-5 years	5,217,347	51,473

9. 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 investment units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50,000 thousand (US\$ 493 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of investment units authorized were 10,000,000 units as of December 31, 2013 and June 30, 2014.

The number of investment units issued and outstanding were 1,573,179 units as of December 31, 2013 and June 30, 2014 respectively.

10. Appropriation of Retained Earnings

In accordance with the distribution policy in Article 17, Paragraph 1, of the Company's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period.

The following table shows the appropriation of retained earnings for the six months ended December 31, 2013 and June 30, 2014.

	For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 446,003	¥ 974,975	\$ 9,618
Cash distribution declared	(372,843)	(901,431)	(8,893)
Retained earnings carried forward.	¥ 73,159	¥ 73,543	\$ 725

A dividend in respect of the six months ended June 30, 2014 of ¥573 (US\$5.6) per investment unit, amounting to a total dividend of ¥901,431 thousand (US\$8,893 thousand) was proposed and approved at the Board of Directors meeting on August 27, 2014. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥237 and ¥573 (US\$5.6) for the six months ended December 31, 2013, and June 30, 2014, respectively.

11. Rent Revenues — Real Estate and Expenses Related to Property Rental Business

Rent revenue – real estate and expenses related to property rental business for the six months ended December 31, 2013 and June 30, 2014 consist of the following:

	For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges	¥ 2,542,588	¥ 2,555,746	\$ 25,214
Other	197,861	216,673	2,137
Total rental revenue – real estate	¥ 2,740,449	¥ 2,772,419	\$ 27,352
Expenses related to property rental business:			
Facility management fees	¥ 435,966	¥ 446,688	\$ 4,406
Property related taxes	175,993	174,451	1,721
Insurance expense	5,085	4,952	48
Other	116,754	127,784	1,260
Depreciation	527,420	527,914	5,208
Total expenses related to property rental business.	¥ 1,261,221	¥ 1,281,791	\$ 12,645
Operating income from property leasing activities	¥ 1,479,227	¥ 1,490,627	\$ 14,706

12. 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) Reconciliations of the Company's effective tax rates and statutory tax rates are as follows:

	For the six months ended	
	December 31, 2013	June 30, 2014
	(Rate)	
Statutory tax rates	36.59 %	36.59 %
Deductible cash distributions	—	—
Increase (decrease) in valuation allowance	(36.59)	(34.98)
Other	0.17	(1.54)
Effective tax rates	0.17 %	0.07 %

(b) Deferred tax assets consist of the following:

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Current:			
Enterprise tax payable	¥ 590	¥ 517	\$ 5
Rental receivables (merger)	211	197	1
Allowance for doubtful accounts	941	475	4
Total	1,743	1,190	11
Non-current:			
Buildings and other (merger)	1,177,288	812,820	8,019
Land (merger)	2,547,099	2,251,597	22,213
Net loss carried forward	7,401,300	7,746,144	76,422
Subtotal	11,125,688	10,810,561	106,655
Valuation allowance	(11,127,431)	(10,811,752)	(106,666)
Total	—	—	—
Net deferred tax assets	¥ —	¥ —	\$ —

(c) Revision of the amount of deferred tax assets and liabilities by the change of income tax rate

Following the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act, etc." (Act No.10 of 2014), the company changed the statutory tax rate to calculate deferred tax assets and liabilities from 36.59% to 34.16% for temporary differences which are expected to reverse during the six months ending December 31, 2014 and June 30, 2015.

As a result of this change, there are no effect on net deferred tax assets and income taxes.

13. Profit from loan-related costs adjustment

With respect to Shinsei Trust Loan A and Shinsei Trust Loan B, the Company was obligated to pay exit fees on the maturity date and originally recorded the exit fees as accrued expenses in the total amount of ¥1,337,460 thousand. However, the Company repaid fully before the maturity date and recorded a reversal of the accrued expenses for the six months ended December 31, 2013.

14. Breakdown of Gain on Sales of Properties

For the six months ended June 30, 2014

	Bon Sejour			
	Chitose Funabashi	Yotsugi	Hino	Musashi-Shinjo
	(in thousands of yen)			
Revenue from sales of properties	¥ 832,153	¥ 777,256	¥ 730,459	¥ 587,138
Cost of properties sold	657,193	622,386	551,565	468,167
Other sales-related costs	6,623	5,450	5,414	4,363
Gain on sales of properties	¥ 168,337	¥ 149,419	¥ 173,480	¥ 114,607

	Bon Sejour Hadano		
	Bon Sejour Komaki	Shibusawa	Bon Sejour Itami
(in thousands of yen)			
Revenue from sales of properties	¥ 1,280,824	¥ 735,268	¥ 472,718
Cost of properties sold	984,869	633,486	449,783
Other sales-related costs	12,563	6,243	4,357
Gain on sales of properties	¥ 283,391	¥ 95,539	¥ 18,577

	Bon Sejour Chitose		Bon Sejour	
	Funabashi	Bon Sejour Yotsugi	Bon Sejour Hiru	Musashi-Shinjo
(in thousands of U.S. dollars)				
Revenue from sales of properties	\$ 8,209	\$ 7,668	\$ 7,206	\$ 5,792
Cost of properties sold	6,483	6,140	5,441	4,618
Other sales-related costs	65	53	53	43
Gain on sales of properties	\$ 1,661	\$ 1,474	\$ 1,711	\$ 1,130

	Bon Sejour Hadano		
	Bon Sejour Komaki	Shibusawa	Bon Sejour Itami
(in thousands of U.S. dollars)			
Revenue from sales of properties	\$ 12,636	\$ 7,254	\$ 4,663
Cost of properties sold	9,716	6,249	4,437
Other sales-related costs	123	61	42
Gain on sales of properties	\$ 2,795	\$ 943	\$ 183

15. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of December 31, 2013 and June 30, 2014 scheduled to be received are summarized as follows:

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
		(in thousands of yen)	(in thousands of U.S. dollars)
Due within one year	¥ 669,922	¥ 507,089	\$ 5,002
Due over one year	6,914,939	4,342,958	42,846
Total	¥ 7,584,862	¥ 4,850,048	\$ 47,849

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of December 31, 2013 and June 30, 2014 scheduled to be paid are summarized as follows:

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
		(in thousands of yen)	(in thousands of U.S. dollars)
Due within one year	¥ 112,249	¥ 112,249	\$ 1,107
Due over one year	2,336,413	2,280,288	22,496
Total	¥ 2,448,662	¥ 2,392,537	\$ 23,604

16. Financial Instruments

(a) Qualitative information for financial instruments

i. Policy for financial instrument transactions

The Company raises funds through loans payable and the issuance of investment units to acquire real estate properties, pay property maintenance expenses and/or repay existing loans payable. Surplus funds are managed carefully through investments in financial instruments taking into account liquidity and safety in light of the current financial market conditions. Derivative instruments are used only for hedging purposes and not for speculation. The Company did not enter into any derivative transactions for the six months ended December 31, 2013 and June 30, 2014.

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 or properties in trust and for the repayment of existing loans payable. Liquidity risks relating to loans payable are managed by the finance department of the Asset Manager by preparing monthly plans for funds, and monitoring the covenants defined in loan agreements.

iii. Supplemental information for 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 using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated value may differ.

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair values and valuation differences of financial instruments for which fair value is available as of December 31, 2013 and June 30, 2014.

	As of								
	December 31, 2013			June 30, 2014			June 30, 2014		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
	(in thousands of yen)						(in thousands of U.S. dollars)		
Assets:									
Current:									
(1) Cash and bank deposits	¥ 1,457,257	¥ 1,457,257	¥ —	¥ 799,058	¥ 799,058	¥ —	\$ 7,488	\$ 7,488	\$ —
(2) Cash and bank deposits in trust	2,729,902	2,729,902	—	2,765,504	2,765,504	—	27,283	27,283	—
Total assets	¥ 4,187,160	¥ 4,187,160	¥ —	¥ 3,524,562	¥ 3,524,562	¥ —	\$ 34,772	\$ 34,772	\$ —
Liabilities:									
(3) Short-term loans payable	—	—	—	¥ 13,488,750	¥ 13,488,750	¥ —	\$ 133,077	\$ 133,077	\$ —
(4) Current portion of long-term loans payable	203,520	203,520	—	17,552,100	17,552,100	—	173,165	173,165	—
(5) Long-term loans payable	20,146,480	20,146,480	—	—	—	—	—	—	—
(6) Current portion of long-term loans payable in trust	105,833	106,409	576	—	—	—	—	—	—
(7) Long-term loans payable in trust	30,854,166	21,127,212	273,045	9,960,000	10,122,527	162,527	98,263	99,867	1,603
Total liabilities	¥ 41,310,000	¥ 41,583,622	¥ 273,622	¥ 41,000,850	¥ 41,163,378	¥ 162,527	\$ 404,507	\$ 406,110	\$ 1,603

Notes

i. The methods and assumptions used to estimate fair value are as follows:

- (1) Cash and bank deposits and (2) Cash and bank deposits in trust

Because of their short maturities, the carrying amounts approximate their fair value.

- (3) Short-term loans payable

Because of their short maturities and floating interest rates reflecting changes in market rates within a short term period, the carrying amounts of short-term loans payable approximate their fair values.

- (4) Current portion of long-term loans payable, (5) Long-term loans payable, (6) Current portion of long-term loans payable in trust and (7) Long-term loans payable in trust

The fair values of long-term loans payable with fixed interest rates are determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms. Long-term loans payable with floating interest rates reflecting changes in

market rates within a short term period are stated at their carrying amounts as their carrying amounts approximate their fair values.

ii. Financial instruments for which fair value is difficult to determine are as follows:

	As of		
	December 31, 2013	June 30, 2014	June 30, 2014
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits	¥ 183,579	¥ 28,663	\$ 282
Tenant leasehold and security deposits in trust	1,037,721	1,025,726	10,119

Tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

iii. Cash flow schedule of financial assets after the balance sheet date

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of December 31, 2013:						
Cash and bank deposits	¥ 1,457,257	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,729,902	-	-	-	-	-
Total	¥ 4,187,160	¥ -	¥ -	¥ -	¥ -	¥ -
As of June 30, 2014:						
Cash and bank deposits	¥ 759,058	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,765,504	-	-	-	-	-
Total	¥ 3,524,562	¥ -	¥ -	¥ -	¥ -	¥ -

	Within 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, 2014:						
Cash and bank deposits	\$ 7,488	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	27,283	-	-	-	-	-
Total	\$ 34,772	\$ -	\$ -	\$ -	\$ -	\$ -

iv. Cash flow schedule of financial liabilities after the balance sheet date

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of December 31, 2013:						
Current portion of long-term loans payable	¥ 203,520	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	203,520	19,942,960	-	-	-
Current portion of long-term loans payable in trust	105,833	-	-	-	-	-
Long-term loans payable in trust	-	450,442	516,273	3,819,427	6,196,028	9,871,993
Total	¥ 309,353	¥ 653,962	¥ 20,459,233	¥ 3,819,427	¥ 6,196,028	¥ 9,871,993
As of June 30, 2014:						
Current portion of long-term loans payable	¥ 17,552,100	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term loans payable in trust	-	-	-	-	-	-
Long-term loans payable in trust	-	54,894	74,639	2,863,679	5,217,347	1,749,439
Total	¥ 17,552,100	¥ 54,894	¥ 74,639	¥ 2,863,679	¥ 5,217,347	¥ 1,749,439
	Within 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, 2014:						
Current portion of long-term loans payable	\$ 173,165	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term loans payable in trust	-	-	-	-	-	-
Long-term loans payable in trust	-	541	736	28,252	51,473	17,259
Total	\$ 173,165	\$ 541	\$ 736	\$ 28,252	\$ 51,473	\$ 17,259

17. Segment Information

Effective from the six months ended June 30, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised on March 27, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

Segment information for the six months ended December 31, 2013 and June 30, 2014 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 located in 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

Disclosure is omitted as net sales to a single external customer account for less than 10% of the operating revenue on the statement of operations and retained earnings.

18. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

For the six months ended December 31, 2013

Type of related-party	Company name	Location	Business	Share capital (in millions of yen)	Voting interest in the Company	Relationship with the Company	Transactions for the period		Balance at the end of period	
							Type of transactions	Amounts (in thousands of yen) (3)	Balance sheet account	Amounts (in thousands of yen) (3)
Interested party of the Asset Manager (3)	Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Finance business	¥ 5,000	—	Lender	Repayment of long-term loans payable (1)(2)	¥ 9,604,000	Long-term loans payable	—
							Loan-related costs (5)	¥ 143,196	Long-term prepaid expenses	—
									Prepaid expenses	—
									Long-term accrued expenses	—
Accrued expenses	—									
						Interest expenses	¥ 282,863	Accrued expenses	—	
	Rayo Godo Kaisha	Minato-ku, Tokyo	Investment management business	¥ 0.1	9.53%	Affiliate of the parent company of the Asset Manager	Underwriting company of capital increase	¥ 1,999,999	—	—

Notes:

(1) The conditions of the transaction are included in Note 8.

- (2) This loan includes transactions with Calliope which became the parent company of the Asset Manager on July 29, 2011. Calliope holds 609,942 units (holding ratio: 38.77%) of the issued investment units of the Company.
- (3) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- (4) Rayo Godo Kaisha and the Asset Manager have no capital relationship to be disclosed. Rayo Godo Kaisha has received an anonymous partnership investment through funds that are managed by FIG, an affiliate of Calliope.
- (5) Accrued expenses and long-term accrued expenses decreased due to redemption before maturity date and this transaction is not included above.

For the six months ended June 30, 2014

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period			Balance at the end of period	
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts (1)		Balance sheet account	Amounts (in thousands of yen) (1)
									(in thousands of yen)	(in thousands of U.S. dollars)		
Interested party of the Asset Manager	Zephyrus TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	\$ 0	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	2,851,000	28,127	—	—
	Nishi TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	\$ 0	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	2,584,000	25,483	—	—

Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- (2) Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- (3) The seller, Zephyrus TMK and Nishi TMK, has no relationship to be stated, but they receives investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Zephyrus TMK and Nishi TMK as a related party.
- (4) Calliope holds 609,942 units (holding ratio: 38.77%) of the issued investment units of the Company.
- (5) Sale price and acquisition price exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Acquisition cost (in thousands of yen)
D1	Hotel MyStays Kanda	2,880,000
D2	Hotel MyStays Asakusa	2,610,000

(b) Board of Directors and Major Individual Unitholders

For the six months ended December 31, 2013

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period		Balance at the end of period	
				Type of transactions	Amounts (in thousands of yen) (3)	Balance sheet account	Amounts (in thousands of yen) (3)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	—	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 125,000	Accrued expenses	¥ 65,625
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	Accrued expenses	¥ 315

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- (2) Naoki Fukuda serves as a representative of Asset Manager and the fee is established in the "Administrative Agency Agreement for Organizational Management" which was agreed between the Asset Manager and the Company.

(3) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

For the six months ended June 30, 2014

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period			Balance at the end of period		
				Type of transactions	Amounts (3)		Balance sheet account	Amounts (3)	
				(in thousands of yen)	(in thousands of U.S. dollars)			(in thousands of yen)	(in thousands of U.S. dollars)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	—	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 126,083	\$ 1,243	Accrued expenses	¥ 68,670	\$ 677
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	\$ 5	Accrued expenses	¥ 324	\$ 3

Notes:

- Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- Naoki Fukuda serves as a representative of Asset Manager and the fee is established in the "Administrative Agency Agreement for Organizational Management" which was agreed between the Asset Manager and the Company.
- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

19. Per Unit Information

The following table shows net asset value per unit as of December 31, 2013 and June 30, 2014, and net income per unit for the six months then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Company has no potentially dilutive units.

	As of / For the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(Yen)		(U.S. dollars)
Net asset value per unit	¥ 22,785	¥ 23,121	\$ 228
Net income per unit	259	573	5
Weighted average number of units	1,362,959	1,573,179	—

20. Subsequent Events

(a) Issuance of New Investment Units

The Company resolved at its meeting of the board of directors held on June 23, 2014 and July 9, 2014 respectively to conduct the issuance of new investment units and secondary distribution of investment units. Payment for the new investment units issued via public offering was completed on July 16, 2014. In addition, with respect to the issuance of new investment units through the third-party allotment in connection with the overallotment for the public offering, the payment was completed on August 13, 2014. As a result, Unitholders' capital has become JPY 53,096 million and the number of investment units issued and outstanding has become 2,668,686 units.

Issuance of new investment units through public offering

- | | | |
|--|---|--|
| (a) Number of investment units | : | 1,040,000 units |
| | | Domestic public offering : 527,322 units |
| | | International offering : 512,678 units |
| (b) Issue price (offer price) | : | JPY 22,688 per unit |
| (c) Total issue price (total offer price) | : | JPY 23,595,520,000 |
| (c) Amount paid in (issue value) | : | JPY 21,873 per unit |
| (d) Total amount paid in (total issue value) | : | JPY 22,747,920,000 |
| (e) Payment date | : | July 16, 2014 |

(i) Secondary offering of investment units outside Japan

(a) Number of investment units	:	70,151 units
(b) Offer price	:	JPY 22,688 per unit
(c) Total offer value	:	JPY 1,591,585,888
(d) Seller	:	Infinite Value Investment Ltd.

(ii) Secondary offering of investment units (overallotment secondary offering)

(a) Number of investment units	:	55,507 units
(b) Offer price	:	JPY 22,688 per unit
(c) Total offer value	:	JPY 1,259,342,816
(d) Delivery date	:	July 17, 2014

(iii) Issuance of new investment units through third-party allotment

(a) Number of new investment units	:	55,507 units
(b) Amount paid in (issue value)	:	JPY 21,873 per unit
(c) Total amount paid in (total issue value)	:	JPY 1,214,104,611
(d) Payment date	:	August 13, 2014
(e) Allotee	:	SMBC Nikko Securities Inc

(b) New borrowing

The Company entered into a loan agreement as of July 17, 2014 to fund a portion of the acquisition of 18 Hotels and to obtain a new syndicate loan (New Syndicate Loan (C)) to refinance the New Syndicate Loan (A), together with the New Syndicate Loan (B).

New Syndicate Loan (C)

(a) Lender	:	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. Citibank Japan Ltd. Shinsei Bank, Limited Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited
(b) Borrowing Amount	:	JPY 57,300 million
(c) Interest Rate	:	One-month JPY TIBOR + spread (0.8%)
(d) Interest payment date	:	Last business day of each month from borrowing date through principal maturity date, with the first interest payment date set on August 29, 2014.
(e) Method of principal repayment	:	To be repaid in full on the principal maturity date
(f) Borrowing Method	:	Secured (Note 1) / with no guarantee
(g) Borrowing Date	:	July 17, 2014
(h) Principal Maturity Date	:	July 14, 2017

(Note 1) First priority pledges over the real estate trust beneficiary interests for 65 properties: Nisshin Palacestage Daitabashi, Nisshin Palacestage Higashi-Nagasaki, Growth Maison Gotanda, Growth Maison Kameido, Emerald House, Harmonie Ochanomizu, Suncrest Shakujii Koen, Growth Maison Shin-Yokohama, Belle Face Ueno Okachimachi, Grand Rire Kameido, Growth Maison Ikebukuro, Growth Maison Yoga, Route Tachikawa, Shibuya Honmachi Mansion, City Heights Kinuta, Acceeds Tower Kawaguchi Namiki, Capital Heights Kagurazaka, College Square Machida, Belair Meguro, Wacore Tsunashima I, Foros Nakamura-bashi, Growth Maison Kaijin, College Square Machiya, City House Tokyo Shinbashi, Winbell Kagurazaka, Nishiwaseda Crescent Mansion, Lexington Square Akebonobashi, Casa Eremitaggio, Towa City Coop Shinotsuka II, Bichsel Musashiseki, Lexel Mansion Ueno Matsugaya, Towa City Coop Sengencho, Royal Park Omachi, Lexington Square Haginomachi, Visconti Kakuozan, Lexington Square Daitabashi, Lexington Square Honjo Azumabashi, AMS TOWER Minami 6-Jo, Spacia Ebisu, Kindai Kagakusha Building, Lexington Plaza Nishigotanda, Cross Square NAKANO, Ohki Aoba Building, Lexington Plaza Hachiman, AEON TOWN Sukagawa, Hotel MyStays Kanda, Hotel MyStays Asakusa, Hotel MyStays Kyoto-Shijo, MyStays Shin Urayasu Conference Center, Hotel MyStays Maishima, Hotel Vista Premio Dojima, Hotel MyStays Nagoya-Sakae, Hotel MyStays Sakaisuji-Honmachi, Hotel MyStays Yokohama, Hotel MyStays Nippori, Hotel MyStays Fukuoka-Tenjin-Minami, Flexstay Inn Idabashi, Hotel MyStays Ueno Inaricho, Flexstay Inn Shinagawa, Flexstay Inn Tokiwadai, Flexstay Inn Sugamo, Hotel MyStays Otemae, Flexstay Inn Kiyosumi Shirakawa, Flexstay Inn Nakanobu P1 and Flexstay Inn Nakanobu P2. First priority mortgages over two real estate properties: Shinjuku Island and Times Kanda-Sudacho 4th. Floating lien over nine properties: Hotel MyStays Kanda, Hotel MyStays Kyoto-Shijo, MyStays Shin Urayasu Conference Center, Hotel MyStays Maishima, Hotel Vista Premio Dojima, Hotel MyStays Nagoya-Sakae, Hotel MyStays Sakaisuji-Honmachi, Hotel MyStays Yokohama and Hotel MyStays Fukuoka-Tenjin-Minami.

(c) the Prepayment of Existing Borrowings

The Company carried out prepayment of existing borrowings in order to reduce borrowing costs, strengthen lender formation and acquisition of the 18 hotel properties.

The overview of prepayment is as follows.

New Syndicate Loan (A)

(a) Lender	:	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Shinsei Bank, Limited Citibank Japan Ltd. Shinsei Trust & Banking Co., Ltd. Aozora Bank, Ltd.
(b) Outstanding borrowing amount before Prepayment	:	JPY 17,552 million
(c) Initial loan amount	:	JPY 20,350 million
(d) Interest Rate	:	One-month JPY TIBOR + spread (1.50%)
(e) Borrowing Method	:	Borrowing based on the term loan agreement dated December 17, 2013. Secured / with no guarantee
(f) Borrowing Date	:	December 20, 2013
(g) Principal Maturity Date	:	December 20, 2016
(h) Prepayment Date	:	July 17, 2014
(i) Prepayment amount	:	JPY 17,552 million
(j) Outstanding borrowing amount after Prepayment	:	JPY 0

New Syndicate Loan (B)

(a) Lender	:	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
(b) Outstanding borrowing amount before Prepayment	:	JPY 13,488 million
(c) Initial loan amount	:	JPY 13,500 million
(d) Interest Rate	:	One-month JPY TIBOR + spread (0.80%)
(e) Borrowing Method	:	Borrowing based on the term loan agreement dated May 21, 2014. Secured / with no guarantee
(f) Borrowing Date	:	May 23, 2014
(g) Principal Maturity Date	:	May 22, 2015
(h) Prepayment Date	:	July 17, 2014
(i) Prepayment amount	:	JPY 13,488 million
(j) Outstanding borrowing amount after Prepayment	:	JPY 0

(d) Acquisition of Assets

The Company acquired the 18 Hotels, which exhibit stable revenue and have a high potential to achieve further revenue growth, on July 17, 2014.

The overview of 18 Hotels is as follows,

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
Hotel	D3	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	6,024	7,241.51 m ²	Shijodori Holding Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D4	MyStays Shin-Urayasu Conference Center	Urayasu-shi, Chiba	4,930	6,232.30 m ²	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets	
	D5	Hotel MyStays Maihama	Urayasu-shi, Chiba	4,870	2,456.36 m ²	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	D6	Hotel Vista Premio Dojima	Osaka-shi, Osaka	3,845	9,445.32 m ²	Danube Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	D7	Hotel MyStays Nagoya-Sakae	Nayoga-shi, Aichi	2,958	9,064.71 m ²	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	D8	Hotel MyStays Sakaisuji-Honmachi	Osaka-shi, Osaka	2,514	4,188.83 m ²	Nagahoribashi Holding Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	D9	Hotel MyStays Yokohama	Yokohama-shi, Kanagawa	2,119	7,379.43 m ²	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	D10	Hotel MyStays Nippori	Arakawa-ku, Tokyo	1,898	1,719.29 m ²	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	D11	Hotel MyStays Fukuoka-Tenjin-Minami	Fukuoka-shi, Fukuoka	1,570	3,412.71 m ²	Shijodori Holding Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
	Hotel	D12	Flexstay Inn Iidabashi	Shinjuku-ku, Tokyo	1,381	2,953.38 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
		D13	Hotel MyStays Ueno Inaricho	Taito-ku, Tokyo	1,331	1,150.76 m ²	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest
		D14	Flexstay Inn Shinagawa	Shinagawa-ku, Tokyo	1,242	1,134.52 m ²	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest
		D15	Flexstay Inn Tokiwadai	Itabashi-ku, Tokyo	1,242	2,539.75 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
D16		Flexstay Inn Sugamo	Toshima-ku, Tokyo	1,192	2,089.86 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
D17		Hotel MyStays Otemae	Osaka-shi, Osaka	1,192	4,956.66 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
D18		Flexstay Inn Kiyosumi Shirakawa	Koto-ku, Tokyo	749	2,673.64 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
D19		Flexstay Inn Nakanobu P1	Shinagawa-ku, Tokyo	589	770.56 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
D20		Flexstay Inn Nakanobu P2	Shinagawa-ku, Tokyo	283	391.49 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest	
Total				39,938	69,801.08 m ²			

(Note 1) Acquisition prices do not include adjustments for property taxes or city planning taxes, or national or local consumption taxes; hereinafter the same.