

Invincible Investment
Corporation

**Audited Financial Statements
for the 21st Fiscal Period
(from July 1, 2013 to December 31, 2013)**

 **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 of the results of INV's financial results and operational condition for the 21st period (covering the period from July 1, 2013 to December 31, 2013).

First, with respect to the operation of our properties, as a result of our continued strengthening of leasing activities and thorough management of property related and other expenditures, the average occupancy rate for our portfolio as a whole increased from 95.9% for the prior fiscal period to 96.3%, and despite a relative decline in revenues from rental properties due to seasonal factors, we were able to record NOI (Note 1) of JPY 2,006 million, which is almost the same level as the prior fiscal period (representing only a 0.1% decrease).

With respect to financial management, on December 20, 2013 we successfully refinanced the existing syndicate loans and Shinsei Trust Loans A and B (total outstanding balance of JPY 22,760 million with an average interest rate of 4.98%) through a new syndicate loan (borrowing amount of JPY 20,350 million with an interest rate of 1.68%) arranged by Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. on December 21, 2013, and a capital increase via third-party allotment (total newly issued investment units: 224,887; total issue value: JPY 2,000 million). As a result, we significantly enhanced our earnings potential through lower interest expenses, improved our loan-to-value (LTV) ratio and enhanced our ability for future external growth.

Notwithstanding the increase in units outstanding resulting from the third-party allotment and the recognition of certain one-time expenses in connection with the refinancing, we are pleased to report distributions per unit of JPY 237, which exceeds the previous forecasted level of JPY 200.

Furthermore, we expect that the distribution per unit for the fiscal period ending June 30, 2014, for which the decrease in interest expenses resulting from the refinancing will be evident for the full fiscal period, will be JPY 464.

Under the sponsorship from July 2011 by Calliope Godo Kaisha, an affiliate company of Fortress Investment Group LLC (together with other related companies, the “Fortress Group”) (Note 2), we have been able to achieve a financial restructuring, increases in occupancy rates, cost reductions and an increase in earnings potential through property acquisitions. With the implementation of the refinancing discussed above, we have been able to establish earnings potential and a financial foundation to make a leap into a new stage in our development.

Going forward, we will seek further growth for INV and further enhancement of unitholders’ value through proactive asset management that takes advantage of the improving leasing market (such as through increases in occupancy rates and rent levels), as well as through internal growth resulting from additional reductions in borrowing costs and external growth by fully utilizing the Fortress Group’s expertise in the real estate business and pipeline.

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) NOI = rental revenues – property-related expenses + depreciation expense

(Note 2) In July 2011, Calliope Godo Kaisha acquired 97.35% (note 3) of the outstanding shares of Consonant Investment Management Co, Ltd., and the Investment Corporation conducted a capital increase via third-party allotment with Callope Godo Kaisha as the principal investor.

(Note 3) In October 2013 the investment ratio became 100%

Fixed Distributions	The 21st fiscal period (the fiscal period ended December 2013)	Per investment unit JPY 237
Forecast Distributions	The 22nd fiscal period (the fiscal period ending June 2014)	Per investment unit JPY 464

(Note) We are forecasting operating revenues of JPY 2,760 million and net income of JPY 231 million for the 22nd fiscal period.

The forward-looking statements, forecasts and goals mentioned above are based on available information, assumptions and estimates as of February 26, 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.



Building a better
working world

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Invincible Investment Corporation (T. 8963)

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 sheets as at June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013, and December 31, 2013, and the statements of operations and retained earnings, changes in net assets, and cash flows for the six-month periods 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, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013, and December 31, 2013, and its financial performance and cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

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 4.

Ernst & Young ShinNihon LLC

March 25, 2014
Tokyo, Japan

INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report

Balance Sheets as of June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013

Statements of Operations and Retained Earnings for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013

Statements of Changes in Net Assets for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013

Statements of Cash Flows for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013

Notes to Financial Statements as of and for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEETS

As of June 30, 2011, December 31, 2011, June 30, 2012,
December 31, 2012, June 30, 2013 and December 31, 2013

	As of						December 31, 2013 (in thousands of US dollars)
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
ASSETS							
Current assets:							
Cash and bank deposits (Notes 5, 8 and 20).....	¥ 2,478,178	¥ 3,147,282	¥ 3,080,041	¥ 745,429	¥ 1,427,483	¥ 1,457,257	\$ 13,837
Cash and bank deposits in trust (Notes 5, 8 and 20)...	2,203,864	2,056,083	2,130,105	2,786,480	2,690,331	2,729,902	25,922
Rental receivables	23,893	15,380	19,103	18,370	17,407	10,948	103
Advances paid	776	422	208	664	139	0	0
Deposits paid	-	647,357	696,804	690,495	748,197	-	-
Prepaid expenses	57,499	181,805	164,645	208,056	211,587	122,321	1,161
Consumption taxes receivable	204,972	-	23,311	115,447	-	7,419	70
Other	-	-	-	-	-	10	0
Allowance for doubtful accounts	-	(311)	(831)	(797)	(1,528)	(2,573)	(24)
Total current assets	4,969,185	6,048,020	6,113,388	4,564,147	5,093,620	4,325,286	41,071
Non-current assets:							
Property and equipment (Notes 6, 7 and 8):							
Buildings, at cost	2,680,174	2,680,174	2,680,174	2,680,174	2,680,174	2,680,174	25,450
Buildings and accompanying facilities, at cost	50,691	50,691	50,691	50,691	50,691	50,691	481
Structures, at cost	3,848	3,848	3,848	3,848	3,848	3,848	36
Land	2,713,620	2,713,620	2,713,620	2,713,620	2,713,620	2,713,620	25,767
Buildings in trust, at cost	24,148,023	23,028,015	23,030,036	29,664,262	29,677,895	29,762,419	282,617
Buildings and accompanying facilities in trust, at cost	4,357,418	4,283,735	4,301,492	6,608,496	6,713,907	6,763,740	64,226
Structures in trust, at cost	233,668	236,536	237,741	294,542	312,020	320,904	3,047
Tools, furniture and fixtures in trust, at cost	84,848	93,415	106,361	123,699	142,175	155,616	1,477
Land in trust	36,018,054	31,056,639	31,056,639	36,582,527	36,582,527	36,582,527	347,379
Subtotal	70,290,348	64,146,678	64,180,606	78,721,864	78,876,861	79,033,544	750,484
Less: Accumulated depreciation	(2,133,278)	(2,486,713)	(2,898,398)	(3,379,021)	(3,922,662)	(4,450,083)	(42,256)
Total property and equipment, net	68,157,070	61,659,964	61,282,207	75,342,842	74,954,199	74,583,461	708,227
Intangible assets:							
Other	1,706	1,046	621	244	167	137	1
Total intangible assets	1,706	1,046	621	244	167	137	1
Investments and other assets:							
Guarantee deposits	10,000	10,000	10,000	10,000	10,000	10,000	94
Long-term prepaid expenses	-	336,563	263,982	253,406	158,394	224,371	2,130
Other	27,297	27,991	28,686	29,381	32,680	33,375	316
Total investments and other assets	37,297	374,555	302,669	292,787	201,075	267,746	2,542
Total non-current assets	68,196,073	62,035,566	61,585,498	75,635,874	75,155,443	74,851,345	710,771
TOTAL ASSETS	¥ 73,165,258	¥ 68,083,586	¥ 67,698,887	¥ 80,200,022	¥ 80,249,063	¥ 79,176,632	\$ 751,843

	As of						December 31, 2013 <small>(in thousands of US dollars)</small>
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
LIABILITIES							
Current liabilities:							
Accounts payable	¥ 109,999	¥ 123,229	¥ 76,887	¥ 133,791	¥ 151,861	¥ 174,201	\$ 1,654
Short-term loans payable (Notes 8, 9 and 20)	25,796,425	-	-	-	-	-	-
Current portion of long-term loans payable (Notes 8, 9 and 20)	16,800,000	262,000	262,000	262,000	262,000	203,520	1,932
Current portion of long-term loans payable in trust (Notes 8, 9 and 20)	-	-	-	-	-	105,833	1,004
Accounts payable-other	8,617	8,791	6,062	18,748	4,375	5,000	47
Accrued expenses	284,308	365,166	371,854	362,514	354,066	229,843	2,182
Income taxes payable	465	497	506	503	527	525	4
Consumption taxes payable	-	59,401	-	-	24,902	-	-
Advances received	292,611	281,564	288,162	378,770	377,475	385,886	3,664
Deposits received	4,466	5,623	3,307	5,268	8,601	5,048	47
Total current liabilities	43,296,894	1,106,273	1,008,782	1,161,597	1,183,809	1,109,859	10,538
Non-current liabilities:							
Long-term loans payable (Notes 8, 9 and 20)	-	20,472,500	20,341,500	22,760,500	22,629,500	20,146,480	191,306
Long-term loans payable in trust (Notes 8, 9 and 20)	-	11,000,000	11,000,000	20,960,000	20,960,000	20,854,166	198,026
Tenant leasehold and security deposits in trust (Note 20)	1,113,610	930,462	925,696	1,059,315	1,048,635	1,037,721	9,853
Tenant leasehold and security deposits (Note 20)	183,579	183,579	183,579	183,579	183,579	183,579	1,743
Long-term accrued expenses	-	1,423,111	1,413,153	1,404,333	1,395,513	-	-
Total non-current liabilities	1,297,190	34,009,654	33,863,929	46,367,728	46,217,228	42,221,948	400,930
TOTAL LIABILITIES	44,594,084	35,115,928	34,872,711	47,529,325	47,401,038	43,331,808	411,469
NET ASSETS (Note 10)							
Unitholders' equity:							
Unitholders' capital	19,134,417	26,134,396	26,134,396	26,134,396	26,134,396	29,134,389	276,653
Capital surplus	6,264,432	6,264,432	6,264,432	6,264,432	6,264,432	6,264,432	59,485
Retained earnings	3,172,324	568,830	427,346	271,868	449,196	446,003	4,235
Total unitholders' equity	28,571,173	32,967,658	32,826,175	32,670,697	32,848,025	35,844,824	340,374
TOTAL NET ASSETS	28,571,173	32,967,658	32,826,175	32,670,697	32,848,025	35,844,824	340,374
TOTAL LIABILITIES AND NET ASSETS	¥ 73,165,258	¥ 68,083,586	¥ 67,698,887	¥ 80,200,022	¥ 80,249,063	¥ 79,176,632	\$ 751,843

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

INVINCIBLE INVESTMENT CORPORATION
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
For the six months ended June 30, 2011, December 31, 2011, June 30, 2012,
December 31, 2012, June 30, 2013 and December 31, 2013

	For the six months ended						December 31, 2013 <small>(in thousands of U.S. dollars)</small>
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	<small>(in thousands of yen)</small>						
Operating revenue							
Rental revenue—real estate (Note 12)	¥ 2,277,374	¥ 2,202,448	¥ 2,176,839	¥ 2,476,430	¥ 2,760,177	¥ 2,740,449	\$ 26,022
Total operating revenue	<u>2,277,374</u>	<u>2,202,448</u>	<u>2,176,839</u>	<u>2,476,430</u>	<u>2,760,177</u>	<u>2,740,449</u>	<u>26,022</u>
Operating expenses							
Property related expenses (Note 12)	1,151,606	1,137,994	1,024,277	1,156,672	1,295,403	1,261,221	11,976
Loss on sales of properties (Note 16)	-	1,012,716	-	-	-	-	-
Directors' compensations	2,700	4,200	4,800	4,800	4,800	4,800	45
Asset management fees	150,256	150,055	150,000	130,067	125,000	125,000	1,186
Asset custody fees	7,435	3,541	3,328	3,351	3,911	3,986	37
Administrative service fees	41,316	35,379	25,273	24,781	21,531	19,089	181
Provision of allowance for doubtful accounts	-	311	646	797	730	1,045	9
Bad debt expense	561	220	1,137	-	-	2,561	24
Other	123,155	267,998	73,303	71,786	77,562	56,975	541
Total operating expenses	<u>1,477,031</u>	<u>2,612,417</u>	<u>1,282,766</u>	<u>1,392,258</u>	<u>1,528,940</u>	<u>1,474,679</u>	<u>14,003</u>
Operating income (loss)	<u>800,343</u>	<u>(409,968)</u>	<u>894,072</u>	<u>1,084,171</u>	<u>1,231,237</u>	<u>1,265,770</u>	<u>12,019</u>
Non-operating income							
Interest income	887	540	515	487	383	400	3
Profit from loan-related costs adjustment (Note 14)	-	-	-	-	-	354,737	3,368
Gain on forgiveness of debts (Note 15)	-	1,000,197	-	-	-	-	-
Other	4,811	3,983	1,875	2,904	3,088	406	3
Total non-operating income	<u>5,698</u>	<u>1,004,721</u>	<u>2,390</u>	<u>3,391</u>	<u>3,472</u>	<u>355,544</u>	<u>3,376</u>
Non-operating expenses							
Interest expenses	598,410	766,171	695,689	763,201	800,615	672,128	6,382
Loan-related costs	258,318	2,155,844	73,562	208,347	96,816	579,038	5,498
Investment unit issuance costs	-	137,569	-	-	-	15,487	147
Impairment loss (Note 18)	1,249,817	-	-	-	-	-	-
Loss on disaster (Note 17)	5,757	9,330	-	-	-	-	-
Other	1,655	1,387	1,230	1,230	1,593	1,300	12
Total non-operating expenses	<u>2,113,958</u>	<u>3,070,303</u>	<u>770,482</u>	<u>972,778</u>	<u>899,026</u>	<u>1,267,953</u>	<u>12,040</u>
Ordinary income (loss)	<u>(1,307,917)</u>	<u>(2,475,550)</u>	<u>125,981</u>	<u>114,784</u>	<u>335,683</u>	<u>353,360</u>	<u>3,355</u>
Income (loss) before income taxes	<u>(1,307,917)</u>	<u>(2,475,550)</u>	<u>125,981</u>	<u>114,784</u>	<u>335,683</u>	<u>353,360</u>	<u>3,355</u>
Income taxes (Note 13):							
Current	605	605	605	604	605	605	5
Deferred	-	-	-	-	-	-	-
Income taxes – correction	-	-	(2,799)	-	-	-	-
Total income taxes	<u>605</u>	<u>605</u>	<u>(2,194)</u>	<u>604</u>	<u>605</u>	<u>605</u>	<u>5</u>
Net income (loss)	<u>(1,308,522)</u>	<u>(2,476,155)</u>	<u>128,175</u>	<u>114,179</u>	<u>335,078</u>	<u>352,755</u>	<u>3,349</u>
Retained earnings brought forward	<u>4,480,847</u>	<u>3,044,985</u>	<u>299,171</u>	<u>157,688</u>	<u>114,118</u>	<u>93,247</u>	<u>885</u>
Unappropriated retained earnings (Note 11)	<u>¥ 3,172,324</u>	<u>¥ 568,830</u>	<u>¥ 427,346</u>	<u>¥ 271,868</u>	<u>¥ 449,196</u>	<u>¥ 446,003</u>	<u>\$ 4,235</u>

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

INVINCIBLE INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended June 30, 2011, December 31, 2011, June 30, 2012,
December 31, 2012, June 30, 2013 and December 31, 2013

	Unitholders' equity					Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity	
		Capital surplus	Retained earnings	Total surplus		
(in thousands of yen)						
Balance as of January 1, 2011.....	¥ 19,134,417	¥ 6,264,432	¥ 4,757,809	¥ 11,022,241	¥ 30,156,658	¥ 30,156,658
Changes during the period.....						
Dividends from surplus.....	-	-	(276,962)	(276,962)	(276,962)	(276,962)
Net loss.....	-	-	(1,308,522)	(1,308,522)	(1,308,522)	(1,308,522)
Total changes during the period.....	-	-	(1,585,484)	(1,585,484)	(1,585,484)	(1,585,484)
Balance as of June 30, 2011.....	¥ 19,134,417	¥ 6,264,432	¥ 3,172,324	¥ 9,436,756	¥ 28,571,173	¥ 28,571,173
Changes during the period.....						
Issuance of new investment units.....	6,999,979	-	-	-	6,999,979	6,999,979
Dividends from surplus.....	-	-	(127,339)	(127,339)	(127,339)	(127,339)
Net loss.....	-	-	(2,476,155)	(2,476,155)	(2,476,155)	(2,476,155)
Total changes during the period.....	6,999,979	-	(2,603,494)	(2,603,494)	4,396,485	4,396,485
Balance as of December 31, 2011.....	¥ 26,134,396	¥ 6,264,432	¥ 568,830	¥ 6,833,262	¥ 32,967,658	¥ 32,967,658
Changes during the period.....						
Dividends from surplus.....	-	-	(269,658)	(269,658)	(269,658)	(269,658)
Net income.....	-	-	128,175	128,175	128,175	128,175
Total changes during the period.....	-	-	(141,483)	(141,483)	(141,483)	(141,483)
Balance as of June 30, 2012.....	¥ 26,134,396	¥ 6,264,432	¥ 427,346	¥ 6,691,778	¥ 32,826,175	¥ 32,826,175
Changes during the period.....						
Dividends from surplus.....	-	-	(269,658)	(269,658)	(269,658)	(269,658)
Net income.....	-	-	114,179	114,179	114,179	114,179
Total changes during the period.....	-	-	(155,478)	(155,478)	(155,478)	(155,478)
Balance as of December 31, 2012.....	¥ 26,134,396	¥ 6,264,432	¥ 271,868	¥ 6,536,300	¥ 32,670,697	¥ 32,670,697
Changes during the period.....						
Dividends from surplus.....	-	-	(157,750)	(157,750)	(157,750)	(157,750)
Net income.....	-	-	335,078	335,078	335,078	335,078
Total changes during the period.....	-	-	177,328	177,328	177,328	177,328
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

	Unitholders' equity					Total net assets
	Unitholders' capital	Surplus		Total surplus	Total unitholders' equity	
		Capital surplus	Retained earnings			
(in thousands of U.S. dollars)						
Balance as of June 30, 2013.....	\$ 248,166	\$ 59,485	\$ 4,265	\$ 63,751	\$ 311,917	\$ 311,917
Changes during the period.....						
Issuance of new investment units.....	28,487	-	-	-	28,487	28,487
Dividends from surplus.....	-	-	(3,380)	(3,380)	(3,380)	(3,380)
Net income.....	-	-	3,349	3,349	3,349	3,349
Total changes during the period.....	28,487	-	(30)	(30)	28,456	28,456
Balance as of December 31, 2013.....	\$ 276,653	\$ 59,485	\$ 4,235	\$ 63,720	\$ 340,374	\$ 340,374

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2011, December 31, 2011, June 30, 2012,
December 31, 2012, June 30, 2013 and December 31, 2013

	For the six months ended						December 31, 2013
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						(in thousands of U.S. dollars)
Cash flows from operating activities:							
Income (loss) before income taxes	¥ (1,307,917)	¥ (2,475,550)	¥ 125,981	¥ 114,784	¥ 335,683	¥ 353,360	\$ 3,355
Depreciation and amortization	428,907	422,744	412,110	481,000	543,717	527,451	5,008
Impairment loss	1,249,817	-	-	-	-	-	-
Gain on forgiveness of debts	-	(1,000,197)	-	-	-	-	-
Loss on disaster	5,757	9,330	-	-	-	-	-
Profit from loan-related costs adjustment	-	-	-	-	-	(354,737)	(3,368)
Investment unit issuance costs	-	-	-	-	-	15,487	147
Loan-related costs	258,318	2,155,844	73,562	208,347	96,816	579,038	5,498
Amortization of tenant leasehold and security deposits in trust	(4,324)	(1,279)	(927)	(1,354)	(433)	(683)	(6)
Interest income	(887)	(540)	(515)	(487)	(383)	(400)	(3)
Interest expenses	598,410	766,171	695,689	763,201	800,615	672,128	6,382
Changes in assets and liabilities							
Increase (decrease) in allowance for doubtful accounts	(56)	311	519	(33)	730	1,045	9
Decrease (increase) in rental receivables	(1,523)	8,512	(902)	733	962	6,458	61
Decrease (increase) in deposits paid	-	(647,357)	(49,446)	6,308	(57,701)	748,197	7,104
Decrease (increase) in consumption taxes receivable	(204,972)	204,972	(23,311)	(92,135)	115,447	(7,419)	(70)
Decrease (increase) in guarantee deposits	60	-	-	-	-	-	-
Increase (decrease) in consumption taxes payable	(595,170)	59,401	(59,401)	-	24,902	(24,902)	(236)
Increase (decrease) in accounts payable	(95)	10,387	(38,383)	62,798	17,493	24,617	233
Increase (decrease) in accounts payable-other	(3,252)	1,600	(344)	13,696	(13,571)	-	-
Increase (decrease) in accrued expenses	116,936	(176,415)	(570)	(31,930)	9,112	(127,432)	(1,210)
Increase (decrease) in advances received	(3,047)	(34,165)	6,598	90,607	(1,294)	8,411	79
Increase (decrease) in deposits received	(1,213)	1,156	(2,315)	1,960	3,333	(3,553)	(33)
Decrease in property and equipment in trust, due to sale	-	6,128,165	-	-	-	-	-
Other, net	4,896	(16,703)	16,327	1,944	(2,456)	5,481	52
Subtotal	542,644	5,416,389	1,154,670	1,619,439	1,872,971	2,422,548	23,003
Interest income received	887	540	493	487	383	390	3
Interest expenses paid	(601,703)	(527,019)	(688,459)	(740,409)	(818,164)	(650,982)	(6,181)
Payments for loss on disaster	(2,714)	(8,706)	(3,667)	-	-	-	-
Income taxes paid	(139)	(573)	(595)	(608)	(581)	(606)	(5)
Net cash provided by (used in) operating activities	(61,025)	4,880,630	462,441	878,909	1,054,609	1,771,350	16,820
Cash flows from investing activities:							
Purchases of property and equipment in trust	(143,414)	(50,925)	(38,277)	(14,547,093)	(154,421)	(158,960)	(1,509)
Repayments of tenant leasehold and security deposits in trust	(365,062)	(213,763)	(49,274)	(39,366)	(93,409)	(49,761)	(472)
Proceeds from tenant leasehold and security deposits in trust	150,878	55,012	45,436	174,339	83,162	39,531	375
Other, net	-	-	(694)	(694)	(3,298)	(694)	(6)
Net cash used in investing activities	(357,598)	(209,676)	(42,810)	(14,412,815)	(167,967)	(169,885)	(1,613)
Cash flows from financing activities:							
Repayments of short-term loans payable	(369,060)	(25,796,425)	-	-	-	-	-
Proceeds from long-term loans payable	-	21,200,000	-	13,400,000	-	20,350,000	193,239
Repayments of long-term loans payable	-	(16,265,302)	(131,000)	(10,981,000)	(131,000)	(22,891,500)	(217,372)
Proceeds from long-term loans payable in trust	-	11,000,000	-	9,960,000	-	-	-
Payments for loan-related costs	(167,190)	(1,159,018)	(10,452)	(251,904)	(10,636)	(1,618,501)	(15,368)
Distribution payments	(276,877)	(127,599)	(270,167)	(270,196)	(157,800)	(355,323)	(3,374)
Proceeds from issuance of investment units	-	6,999,979	-	-	-	2,999,992	28,487
Other, net	(1,265)	(1,265)	(1,230)	(1,230)	(1,300)	(16,787)	(159)
Net cash provided by (used in) financing activities	(814,392)	(4,149,631)	(412,849)	11,853,670	(300,737)	(1,532,119)	(14,548)
Net increase (decrease) in cash and cash equivalents	(1,233,017)	521,323	6,780	(1,678,236)	585,905	69,344	658
Cash and cash equivalents at beginning of period	5,915,060	4,682,043	5,203,366	5,210,146	3,531,910	4,117,815	39,101
Cash and cash equivalents at end of period (Note 5)	¥ 4,682,043	¥ 5,203,366	¥ 5,210,146	¥ 3,531,910	¥ 4,117,815	¥ 4,187,160	\$ 39,760

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, 2011, December 31, 2011, June 30, 2012,
December 31, 2012, June 30, 2013 and December 31, 2013

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,	December 31,	June 30,	December 31,	June 30,	December 31,
	2011	2011	2012	2012	2013	2013
Buildings.....	40-77 years	40-77 years	40-77 years	40-77 years	40-77 years	40-77 years
Buildings and accompanying facilities.....	3-24	3-24	3-24	3-24	3-24	3-24
Structures.....	3-18	3-18	3-18	3-18	3-18	3-18
Buildings in trust.....	6-65	6-65	6-65	6-66	6-66	6-66
Buildings and accompanying facilities in trust...	3-32	3-32	3-32	3-32	3-32	3-32
Structures in trust.....	3-30	3-30	3-30	3-55	3-55	3-55
Tools, furniture and fixtures in trust.....	2-10	2-15	2-15	2-15	2-15	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 an 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 operations 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 statements of operations 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 ¥16,270 thousand for the six months ended December 31, 2012. No taxes on property and equipment were capitalized for the each of the six months ended June 30, 2011, December 31, 2011, June 30, 2012, June 30, 2013 and December 31, 2013.

3. New Accounting Policies**(a) Accounting Standard for Asset Retirement Obligations**

On March 31, 2008, the Accounting Standards Board of Japan ("ASBJ") issued Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". The new standard requires that a statutory or similar obligation with regards to the removal of tangible fixed assets be recognized as a liability at the present value of the estimated future cash flows when the related assets are acquired.

The Company adopted the new standard for asset retirement obligations from the six months ended June 30, 2011. The application of this new standard did not have material impact on the financial position as of June 30, 2011 or the results of operation for the six months then ended.

(b) Accounting Standard for Accounting Changes and Error Corrections

Effective from the six months ended December 31, 2011, the Company adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009).

This new accounting standard requires that accounting changes and corrections of prior period errors, which are made after the beginning of fiscal years beginning on or after April 1, 2011, should be adopted or corrected retrospectively.

4. 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 ¥105.31 = US\$1, the effective rate of exchange prevailing at December 31, 2013. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended December 31, 2013 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.

5. 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 (in thousands of U.S. dollars)
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
Cash and bank deposits	¥ 2,478,178	¥ 3,147,282	¥ 3,080,041	¥ 745,429	¥ 1,427,483	¥ 1,457,257	\$ 13,837
Cash and bank deposits in trust	2,203,864	2,056,083	2,130,105	2,786,480	2,690,331	2,729,902	25,922
Cash and cash equivalents	¥ 4,682,043	¥ 5,203,366	¥ 5,210,146	¥ 3,531,910	¥ 4,117,815	¥ 4,187,160	\$ 39,760

6. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013, respectively.

For the six months ended June 30, 2011:

	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	¥ -	¥ -	¥ 2,680,174	¥ 80,349	¥ 27,605	¥ 2,599,824		
Buildings and accompanying facilities	50,691	-	-	50,691	15,204	2,973	35,487		
Structures	3,848	-	-	3,848	843	139	3,005		
Land	2,713,620	-	-	2,713,620	-	-	2,713,620		
Buildings in trust	24,338,907	30,417	221,301	24,148,023	1,177,568	218,975	22,970,455		
Buildings and accompanying facilities in trust	4,311,230	64,682	18,494	4,357,418	789,320	160,876	3,568,098		
Structures in trust	230,053	3,618	3	233,668	40,400	10,887	193,267		
Tools, furniture and fixtures in trust	77,593	7,318	62	84,848	29,592	6,789	55,256		
Land in trust	37,028,008	-	1,009,954	36,018,054	-	-	36,018,054		
Total	¥ 71,434,129	¥ 106,037	¥ 1,249,817	¥ 70,290,348	¥ 2,133,278	¥ 428,247	¥ 68,157,070		

For the six months ended December 31, 2011:

	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	¥ -	¥ -	¥ 2,680,174	¥ 107,955	¥ 27,605	¥ 2,572,218		
Buildings and accompanying facilities	50,691	-	-	50,691	18,178	2,973	32,513		
Structures	3,848	-	-	3,848	982	139	2,866		
Land	2,713,620	-	-	2,713,620	-	-	2,713,620		
Buildings in trust	24,148,023	10,800	1,130,808	23,028,015	1,337,424	212,280	21,690,590		
Buildings and accompanying facilities in trust	4,357,418	30,497	104,180	4,283,735	933,806	160,605	3,349,929		
Structures in trust	233,668	2,900	32	236,536	51,393	11,011	185,142		
Tools, furniture and fixtures in trust	84,848	8,945	378	93,415	36,972	7,468	56,443		
Land in trust	36,018,054	-	4,961,414	31,056,639	-	-	31,056,639		
Total	¥ 70,290,348	¥ 53,144	¥ 6,196,815	¥ 64,146,678	¥ 2,486,713	¥ 422,084	¥ 61,659,964		

For the six months ended June 30, 2012

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
	(in thousands of yen)						
Buildings.....	¥ 2,680,174	¥ -	¥ -	¥ 2,680,174	¥ 135,561	¥ 27,605	¥ 2,544,613
Buildings and accompanying facilities.....	50,691	-	-	50,691	21,152	2,973	29,539
Structures.....	3,848	-	-	3,848	1,121	139	2,726
Land.....	2,713,620	-	-	2,713,620	-	-	2,713,620
Buildings in trust.....	23,028,015	2,020	-	23,030,036	1,541,195	203,771	21,488,840
Buildings and accompanying facilities in trust....	4,283,735	17,756	-	4,301,492	1,091,836	158,029	3,209,656
Structures in trust.....	236,536	1,205	-	237,741	62,476	11,082	175,265
Tools, furniture and fixtures in trust.....	93,415	12,945	-	106,361	45,055	8,083	61,305
Land in trust.....	31,056,639	-	-	31,056,639	-	-	31,056,639
Total.....	¥ 64,146,678	¥ 33,928	¥ -	¥ 64,180,606	¥ 2,898,398	¥ 411,685	¥ 61,282,207

For the six months ended December 31, 2012

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
	(in thousands of yen)						
Buildings.....	¥ 2,680,174	¥ -	¥ -	¥ 2,680,174	¥ 163,166	¥ 27,605	¥ 2,517,007
Buildings and accompanying facilities.....	50,691	-	-	50,691	24,125	2,973	26,566
Structures.....	3,848	-	-	3,848	1,261	139	2,587
Land.....	2,713,620	-	-	2,713,620	-	-	2,713,620
Buildings in trust.....	23,030,036	6,634,226	-	29,664,262	1,782,176	240,980	27,882,085
Buildings and accompanying facilities in trust....	4,301,492	2,307,003	-	6,608,496	1,280,186	188,350	5,328,309
Structures in trust.....	237,741	56,801	-	294,542	73,848	11,372	220,693
Tools, furniture and fixtures in trust.....	106,361	17,338	-	123,699	54,255	9,200	69,443
Land in trust.....	31,056,639	5,525,888	-	36,582,527	-	-	36,582,527
Total.....	¥ 64,180,606	¥ 14,541,257	¥ -	¥ 78,721,864	¥ 3,379,021	¥ 480,622	¥ 75,342,842

For the six months ended June 30, 2013

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
	(in thousands of yen)						
Buildings.....	¥ 2,680,174	¥ -	¥ -	¥ 2,680,174	¥ 190,772	¥ 27,605	¥ 2,489,402
Buildings and accompanying facilities.....	50,691	-	-	50,691	26,789	2,663	23,902
Structures.....	3,848	-	-	3,848	1,397	136	2,451
Land.....	2,713,620	-	-	2,713,620	-	-	2,713,620
Buildings in trust.....	29,664,262	13,632	-	29,677,895	2,060,616	278,439	27,617,278
Buildings and accompanying facilities in trust....	6,608,496	105,410	-	6,713,907	1,493,122	212,935	5,220,784
Structures in trust.....	294,542	17,478	-	312,020	85,630	11,782	226,389
Tools, furniture and fixtures in trust.....	123,699	18,475	-	142,175	64,333	10,077	77,842
Land in trust.....	36,582,527	-	-	36,582,527	-	-	36,582,527
Total.....	¥ 78,721,864	¥ 154,997	¥ -	¥ 78,876,861	¥ 3,922,662	¥ 534,640	¥ 74,954,199

For the six months ended December 31, 2013

	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	¥ -	¥ -	¥ 2,680,174	¥ 218,377	¥ 27,605	¥ 2,461,796
Buildings and accompanying facilities	50,691	-	-	50,691	27,985	1,196	22,706
Structures	3,848	-	-	3,848	1,518	120	2,330
Land	2,713,620	-	-	2,713,620	-	-	2,713,620
Buildings in trust	29,677,895	84,524	-	29,762,419	2,339,358	278,741	27,423,061
Buildings and accompanying facilities in trust	6,713,907	49,833	-	6,763,740	1,690,614	197,492	5,073,126
Structures in trust	312,020	8,883	-	320,904	97,258	11,627	223,646
Tools, furniture and fixtures in trust	142,175	13,441	-	155,616	74,970	10,637	80,646
Land in trust	36,582,527	-	-	36,582,527	-	-	36,582,527
Total	¥ 78,876,861	¥ 156,682	¥ -	¥ 79,033,544	¥ 4,450,083	¥ 527,420	¥ 74,583,461

For the six months ended December 31, 2013

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of U.S. dollars)						
Buildings	\$ 25,450	\$ -	\$ -	\$ 25,450	\$ 2,073	\$ 262	\$ 23,376
Buildings and accompanying facilities	481	-	-	481	265	11	215
Structures	36	-	-	23	14	1	22
Land	25,767	-	-	25,767	-	-	25,767
Buildings in trust	281,814	802	-	282,617	22,214	2,646	260,403
Buildings and accompanying facilities in trust	63,753	473	-	64,226	16,053	1,875	48,173
Structures in trust	2,962	84	-	3,047	923	110	2,123
Tools, furniture and fixtures in trust	1,350	127	-	1,477	711	101	765
Land in trust	347,379	-	-	347,379	-	-	347,379
Total	\$ 748,996	\$ 1,487	\$ -	\$ 750,484	\$ 42,256	\$ 5,008	\$ 708,227

For the six months ended June 30, 2011

Increases in the net book values are mainly due to capitalized construction costs and decreases in the net book values are mainly due to impairment losses and depreciation.

For the six months ended December 31, 2011

Increases in the net book values are mainly due to capitalized construction costs and decreases in the net book values are mainly due to sale of New Edobashi Building and depreciation.

For the six months ended June 30, 2012

Increases in the net book values are mainly due to capitalized construction costs and decreases in the net book values are mainly due to depreciation.

For the six months ended December 31, 2012

Increases in the net book values are mainly due to the acquisition of 24 properties (¥14,043,000 thousand) as shown below and decreases in the net book values are mainly due to depreciation.

Property No.	Property name	Acquisition cost (in thousands of yen)
A76	Neo Prominence	1,660,000
A77	Invoice Shin-Kobe Residence	1,260,000
A78	Cosmo Court Motomachi	973,000
A79	Revest Houjin	674,000
A80	Revest Matsubara	657,000
A81	Sun Terrace Minami Ikebukuro	625,000
A82	Alba Noritake Shimomachi	608,000
A83	Revest Meieki Minami	597,000
A84	Revest Heian	595,000

Property No.	Property name	Acquisition cost (in thousands of yen)
A85	Vendir Hamatsu Ekimae	581,000
A86	Salvo Sala	544,000
A87	Excelente Kagurazaka	543,000
A88	Luna Court Edobori	525,000
A89	Wintage Kobe Motomachi	512,000
A90	Queen's Court Fukuzumi	456,000
A91	Corp Higashinotoin	446,000
A92	Belair Omachi	412,000
A93	Siete Minami-Tsukaguchi	374,000
A94	Prime Life Sannomiya Isogami Koen	373,000
A95	HERMITAGE NANBA WEST	355,000
A96	Century Park Shinkawa 1-bankan	335,000
A97	West Avenue	331,000
A98	Little River Honmachibashi	310,000
A99	Prime Life Mikage	297,000
	Total	14,043,000

For the six months ended June 30, 2013

Increases in the net book values are mainly due to capitalized construction costs and decreases in the net book values are mainly due to depreciation.

For the six months ended December 31, 2013

Increases in the net book values are mainly due to capitalized construction costs and decreases in the net book values are mainly due to depreciation.

7. 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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013.

Residential

	As of/ For the six months ended						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
Net book value							
Balance at the beginning of period	¥ 43,415,063	¥ 43,172,655	¥ 42,941,963	¥ 42,701,472	¥ 56,845,746	¥ 56,520,161	\$ 536,702
Net increase (decrease) during period	(242,408)	(230,691)	(240,490)	14,144,274	(325,585)	(327,357)	(3,108)
Balance at the end of period	43,172,655	42,941,963	42,701,472	56,845,746	56,520,161	56,192,804	533,594
Fair value	¥ 40,858,000	¥ 40,905,000	¥ 41,825,000	¥ 56,237,000	¥ 56,993,000	¥ 57,921,000	\$ 550,004

Office

	As of/ For the six months ended						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
Net book value							
Balance at the beginning of period	¥ 16,099,720	¥ 14,820,260	¥ 8,626,170	¥ 8,567,280	¥ 8,557,382	¥ 8,567,749	\$ 81,357
Net increase (decrease) during period	(1,279,460)	(6,194,090)	(58,889)	(9,898)	10,367	17,889	169
Balance at the end of period	14,820,260	8,626,170	8,567,280	8,557,382	8,567,749	8,585,639	81,527
Fair value	¥ 13,710,000	¥ 7,335,000	¥ 7,312,000	¥ 7,237,000	¥ 7,151,000	¥ 7,175,000	\$ 68,132

Retail facilities

As of/ For the six months ended

	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
Net book value							
Balance at the beginning of period	¥ 5,556,561	¥ 5,535,319	¥ 5,491,912	¥ 5,442,452	¥ 5,397,628	¥ 5,352,806	\$ 50,829
Net increase (decrease) during period	(21,241)	(43,406)	(49,460)	(44,824)	(44,821)	(34,149)	(324)
Balance at the end of period	5,535,319	5,491,912	5,442,452	5,397,628	5,352,806	5,318,657	50,504
Fair value	¥ 5,340,000	¥ 5,160,000	¥ 5,170,000	¥ 5,210,000	¥ 5,360,000	¥ 5,420,000	\$ 51,467

Parking lots

	As of/ For the six months ended						December 31, 2013
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	(in thousands of U.S. dollars)
	(in thousands of yen)						
Net book value							
Balance at the beginning of period	¥ 100,919	¥ 100,905	¥ 100,892	¥ 100,878	¥ 100,865	¥ 100,851	\$ 957
Net increase (decrease) during period	(15)	(15)	(13)	(13)	(13)	(13)	(0)
Balance at the end of period	100,905	100,892	100,878	100,865	100,851	100,838	957
Fair value	¥ 91,200	¥ 91,200	¥ 91,300	¥ 91,300	¥ 92,300	¥ 92,800	\$ 881

Senior Living

	As of/ For the six months ended						December 31, 2013
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	(in thousands of U.S. dollars)
	(in thousands of yen)						
Net book value							
Balance at the beginning of period	¥ 4,556,833	¥ 4,527,930	¥ 4,499,026	¥ 4,470,123	¥ 4,441,219	¥ 4,412,629	\$ 41,901
Net increase (decrease) during period	(28,903)	(28,903)	(28,903)	(28,903)	(28,590)	(27,106)	(257)
Balance at the end of period	4,527,930	4,499,026	4,470,123	4,441,219	4,412,629	4,385,522	41,643
Fair value	¥ 4,709,000	¥ 4,708,000	¥ 4,708,000	¥ 4,708,000	¥ 4,751,000	¥ 4,821,000	\$ 45,779

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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013, please refer to "Note 12: Rent Revenue – Real Estate and Expenses Related to Property Rental Business"

8. 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, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	(in thousands of U.S. dollars)
	(in thousands of yen)						
Cash and bank deposits	¥ 1,276,097	¥ -	¥ -	¥ -	¥ -	¥ 167,136	\$ 1,587
Cash and bank deposits in trust	2,203,864	2,056,083	2,130,105	2,786,480	2,690,331	2,729,902	25,922
Buildings	2,599,824	2,572,218	2,544,613	2,517,007	2,489,402	2,461,796	23,376
Buildings and accompanying facilities	35,487	32,513	29,539	26,566	23,902	22,706	215
Structures	2,914	2,866	2,726	2,587	2,451	2,330	22
Land	2,612,806	2,713,620	2,713,620	2,713,620	2,713,620	2,713,620	25,767
Buildings in trust	22,970,455	21,690,590	21,488,840	27,882,085	27,617,278	27,423,061	260,403
Buildings and accompanying facilities in trust	3,568,098	3,349,929	3,209,656	5,328,309	5,220,784	5,073,126	48,173
Structures in trust	193,267	185,142	175,265	220,693	226,389	223,646	2,213
Tools, furniture and fixtures in trust	55,256	56,443	61,305	69,443	77,842	80,646	765
Land in trust	36,018,054	31,056,639	31,056,639	36,582,527	36,582,527	36,582,527	347,379

Total	¥ 71,536,127	¥ 63,716,048	¥ 63,412,312	¥ 78,129,323	¥ 77,644,531	¥ 77,480,500	\$ 733,737
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The following table shows the loans payable secured by collateral.

	As of						December 31, 2013 (in thousands of U.S. dollars)
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
Short-term loans payable	¥ 25,796,425	¥ -	¥ -	¥ -	¥ -	¥ -	\$ -
Current portion of long-term loans payable	16,800,000	262,000	262,000	262,000	262,000	203,520	1,932
Long-term loans payable	-	20,472,500	20,341,500	22,760,500	22,629,500	20,146,480	191,306
Current portion of long-term loans payable in trust	-	-	-	-	-	105,833	1,004
Long-term loans payable in trust	-	11,000,000	11,000,000	20,960,000	20,960,000	20,854,166	198,026
Total	¥ 42,596,425	¥ 31,734,500	¥ 31,603,500	¥ 43,982,500	¥ 43,851,500	¥ 41,310,000	\$ 392,270

9. Loans Payable

The following tables show the details of loans payable for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013.

For the six months ended June 30, 2011

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)							
Short-term loans payable	The Chuo Mitsui Trust and Banking Company, Limited	5,071,443	—	62,127	5,009,316	1.680	July 29, 2011	Repayment of loans payable	Secured and unguaranteed
	Aozora Bank, Ltd.	2,817,468	—	34,515	2,782,953				
	Resona Bank, Limited.	1,502,650	—	18,408	1,484,242				
	Mitsubishi UFJ Trust and Banking Corporation	939,156	—	11,505	927,651				
	The Musashino Bank, Ltd.	939,156	—	11,505	927,651				
	Aozora Bank, Ltd.	5,847,024	—	90,591	5,756,433	2.680	July 29, 2011	Acquisition of properties and trust beneficiary interest in properties trust	Secured and unguaranteed
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,053,387	—	16,320	1,037,066				
	Resona Bank, Limited.	1,053,387	—	16,320	1,037,066				
	THE NISHI-NIPPON CITY BANK, LTD.	1,053,387	—	16,320	1,037,066				
	The Musashino Bank, Ltd.	1,042,162	—	16,146	1,026,015				
	Shinsei Bank, Limited	694,774	—	10,764	684,010				
	The Chuo Mitsui Trust and Banking Company, Limited	486,341	—	7,535	478,806				
	Aozora Bank, Ltd.	3,665,145	—	57,000	3,608,145				
Total short-term loans payable	26,165,485	—	369,060	25,796,425	—	—	—	—	
Current portion of long-term loans payable	Shinsei Trust & Banking Co., Ltd.	16,800,000	—	—	16,800,000	3.650	July 29, 2011	Acquisition of properties and trust beneficiary interest in properties trust	Secured and unguaranteed
Total current portion of long-term loans payable		16,800,000	—	—	16,800,000	—	—	—	—
Total loans payable		42,965,486	—	369,060	42,596,425	—	—	—	—

For the six months ended December 31, 2011

Classification	Name of lender	Beginning	Increase	Decrease	Ending	Average	Maturity date	Use of proceeds	Remarks
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		balance			balance	interest rate			
		(in thousands of yen)				(%) (1)			
Short-term loans payable	The Chuo Mitsui Trust and Banking Company, Limited	5,009,316	—	5,009,316	—	—	—	—	—
	Aozora Bank, Ltd.	2,782,953	—	2,782,953	—				
	Resona Bank, Limited	1,484,242	—	1,484,242	—				
	Mitsubishi UFJ Trust and Banking Corporation	927,651	—	927,651	—				
	The Musashino Bank, Ltd.	927,651	—	927,651	—				
	Aozora Bank, Ltd.	5,756,433	—	5,756,433	—				
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,037,066	—	1,037,066	—				
	Resona Bank, Limited	1,037,066	—	1,037,066	—				
	THE NISHI-NIPPON CITY BANK, LTD.	1,037,066	—	1,037,066	—				
	The Musashino Bank, Ltd.	1,026,015	—	1,026,015	—				
	Shinsei Bank, Limited	684,010	—	684,010	—				
	The Chuo Mitsui Trust and Banking Company, Limited	478,806	—	478,806	—				
	Aozora Bank, Ltd.	3,608,145	—	3,608,145	—				
		Total short-term loans payable	25,796,425	—	25,796,425				
Long-term loans payable (5)	Shinsei Trust & Banking Co., Ltd.	16,800,000	—	16,800,000	—	—	—	—	—
	Shinsei Bank, Limited(2)	—	3,500,000	12,995	3,487,004	2.439	July 29, 2014	Repayment of loans payable	Secured and unguaranteed
	Citibank Japan Ltd.(2)	—	3,600,000	613,366	2,986,633	2.439	July 29, 2014		
	The Chuo Mitsui Trust and Banking Company, Limited (2)	—	2,000,000	7,425	1,992,574	2.439	July 29, 2014		
	The Bank of New York Mellon Trust (Japan), Ltd. (2)	—	1,500,000	—	1,500,000	2.439	July 29, 2014	Repayment of loans payable and acquisition of properties and trust beneficiary interest in properties trust	
Resona Bank, Limited(2)	—	1,000,000	3,712	996,287	2.439	July 29, 2014	Repayment of loans payable		
Long-term loans payable	Shinsei Trust & Banking Co., Ltd.	—	7,300,000	200,000	7,100,000	8.500	January 30, 2015		
Long-term loans payable (5)	Shinsei Trust & Banking Co., Ltd.(3)	—	2,900,000	228,000	2,672,000	9.500	January 30, 2015		
	Total long-term loans payable	16,800,000	21,800,000	17,865,500	20,734,500	—	—	—	—
Long-term loans payable in trust	Mizuho Trust & Banking Co., Ltd.(4)	—	3,750,000	—	3,750,000	2.500	January 25, 2017	Repayment of loans payable	Secured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.(4)	—	3,620,000	—	3,620,000	2.500	January 25, 2018		
	Mizuho Trust & Banking Co., Ltd.(4)	—	3,630,000	—	3,630,000	2.500	January 25, 2019		
	Total long-term loans payable in trust	—	11,000,000	—	11,000,000	—	—	—	—
Total loans payable		42,596,425	32,800,000	43,661,925	31,734,500	—	—	—	—

For the six months ended June 30, 2012

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(%) (1)			
Long-term loans payable (5)	Shinsei Bank, Limited (2)	3,487,004	—	23,863	3,463,141	2.436	July 29, 2014	Repayment of loans payable	Secured and unguaranteed
	Citibank Japan Ltd.(2)	2,986,633	—	20,454	2,966,179	2.436	July 29, 2014		
	Sumitomo Mitsui Trust Bank, Limited (2)	1,992,574	—	13,636	1,978,937	2.436	July 29, 2014		
	The Bank of New York Mellon Trust (Japan), Ltd. (2)	1,500,000	—	10,227	1,489,772	2.436	July 29, 2014	Repayment of loans payable and acquisition of properties and trust beneficiary interest in properties trust	
	Resona Bank, Limited(2)	996,287	—	6,818	989,468	2.436	July 29, 2014	Repayment of loans payable	
Long-term loans payable	Shinsei Trust & Banking Co., Ltd.	7,100,000	—	—	7,100,000	8.500	January 30, 2015	Repayment of loans payable	
Long-term loans payable (5)	Shinsei Trust & Banking Co., Ltd.(3)	2,672,000	—	56,000	2,616,000	9.500	January 30, 2015		
	Total long-term loans payable	20,734,500	—	131,000	20,603,500	—	—	—	—
Long-term loans payable in trust	Mizuho Trust & Banking Co., Ltd.(4)	3,750,000	—	—	3,750,000	2.500	January 25, 2017	Repayment of loans payable	Secured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.(4)	3,620,000	—	—	3,620,000	2.500	January 25, 2018		
	Mizuho Trust & Banking Co., Ltd.(4)	3,630,000	—	—	3,630,000	2.500	January 25, 2019		
	Total long-term loans payable in trust	11,000,000	—	—	11,000,000	—	—	—	—
	Total loans payable	31,734,500	—	131,000	31,603,500	—	—	—	—

For the six months ended December 31, 2012

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(%) (1)			
Long-term loans payable (5)	Shinsei Bank, Limited	3,463,141	—	3,463,141	—	—	—	—	
	Citibank Japan Ltd.	2,966,179	—	2,966,179	—	—	—		
	Sumitomo Mitsui Trust Bank, Limited	1,978,937	—	1,978,937	—	—	—		
	The Bank of New York Mellon Trust (Japan), Ltd.	1,489,772	—	1,489,772	—	—	—		
	Resona Bank, Limited	989,468	—	989,468	—	—	—		
	MetLife Alico Life Insurance K.K. (2)	—	4,500,000	12,593	4,487,406	2.266	July 31, 2014	Repayment of loans payable and	
	The Bank of New York Mellon Trust (Japan), Ltd. (2)	—	3,000,000	8,395	2,991,604	2.266	July 31, 2014	acquisition of trust beneficiary interest in properties trust	
	Citibank Japan Ltd.(2)	—	2,950,000	8,255	2,941,744	2.266	July 31, 2014	Repayment of loans payable	
	Shinsei Bank, Limited (2)	—	2,950,000	8,255	2,941,744	2.266	July 31, 2014		
	Shinsei Trust & Banking Co., Ltd.	7,100,000	—	—	7,100,000	8.500	January 30, 2015	Repayment of loans payable	
Shinsei Trust & Banking	2,616,000	—	56,000	2,560,000	9.500	January 30, 2015			

	Co., Ltd.(3)								
	Total long-term loans payable	20,603,500	13,400,000	10,981,000	23,022,500	—	—	—	—
Long-term loans payable in trust	Mizuho Trust & Banking Co., Ltd.(4)	3,750,000	—	—	3,750,000	2.500	January 25, 2017	Repayment of loans payable	Secured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.(4)	3,620,000	—	—	3,620,000	2.500	January 25, 2018		
	Mizuho Trust & Banking Co., Ltd.(4)	3,630,000	—	—	3,630,000	2.500	January 25, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (6)	—	2,700,000	—	2,700,000	1.900	March 31, 2018	Acquisition of trust beneficiary interest in properties trust	
	Mitsubishi UFJ Trust and Banking Corporation (6)	—	2,860,000	—	2,860,000	1.900	March 31, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (6)	—	1,830,000	—	1,830,000	1.900	March 31, 2020		
	Mitsubishi UFJ Trust and Banking Corporation (6)	—	2,570,000	—	2,570,000	1.900	March 31, 2019		
	Total long-term loans payable in trust	11,000,000	9,960,000	—	20,960,000	—	—	—	—
	Total loans payable	31,603,500	23,360,000	10,981,000	43,982,500	—	—	—	—

For the six months ended June 30, 2013

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(%) (1)			
Long-term loans payable (5)	Metlife Alico Life Insurance K.K. (2)	4,487,406	—	25,186	4,462,220	2.269	July 31, 2014	Repayment of loans payable and acquisition of trust beneficiary interest in properties trust	Secured and unguaranteed
	The Bank of New York Mellon Trust (Japan), Ltd. (2)	2,991,604	—	16,791	2,974,813	2.269	July 31, 2014		
	Citibank Japan Ltd.(2)	2,941,744	—	16,511	2,925,233	2.269	July 31, 2014		
	Shinsei Bank, Limited (2)	2,941,744	—	16,511	2,925,233	2.269	July 31, 2014		
	Shinsei Trust & Banking Co., Ltd.	7,100,000	—	—	7,100,000	8.500	January 30, 2015	Repayment of loans payable	
	Shinsei Trust & Banking Co., Ltd.(3)	2,560,000	—	56,000	2,504,000	9.500	January 30, 2015		
	Total long-term loans payable	23,022,500	—	131,000	22,891,500	—	—	—	—
Long-term loans payable in trust	Mizuho Trust & Banking Co., Ltd.(4)	3,750,000	—	—	3,750,000	2.500	January 25, 2017	Repayment of loans payable	Secured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.(4)	3,620,000	—	—	3,620,000	2.500	January 25, 2018		
	Mizuho Trust & Banking Co., Ltd.(4)	3,630,000	—	—	3,630,000	2.500	January 25, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (6)	2,700,000	—	—	2,700,000	1.900	March 31, 2018	Acquisition of trust beneficiary interest in properties trust	
	Mitsubishi UFJ Trust and Banking Corporation (6)	2,860,000	—	—	2,860,000	1.900	March 31, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (6)	1,830,000	—	—	1,830,000	1.900	March 31, 2020		
	Mitsubishi UFJ Trust and Banking Corporation (6)	2,570,000	—	—	2,570,000	1.900	March 31, 2019		
	Total long-term loans payable in trust	20,960,000	—	—	20,960,000	—	—	—	—

	payable in trust												
Total loans payable		43,982,500	—	131,000	43,851,500	—	—	—	—	—	—	—	—

For the six months ended December 31, 2013

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)				(%) (1)			
Long-term loans payable (5)	Melife Alico Life Insurance K.K. (8)	4,462,220	—	4,462,220	—	42,372	—	42,372	—	2.252	—	Repayment of loans payable and acquisition of properties and trust beneficiary interest in properties trust	Secured and unguaranteed
	The Bank of New York Mellon Trust (Japan), Ltd. (8)	2,974,813	—	2,974,813	—	28,248	—	28,248	—	2.252			
	Citibank Japan Ltd.(8)	2,925,233	—	2,925,233	—	27,777	—	27,777	—	2.252			
	Shinsei Bank, Limited (8)	2,925,233	—	2,925,233	—	27,777	—	27,777	—	2.252			
	Shinsei Trust & Banking Co., Ltd.(8)	7,100,000	—	7,100,000	—	67,419	—	67,419	—	8.500			
	Shinsei Trust & Banking Co., Ltd.(8)	2,504,000	—	2,504,000	—	23,777	—	23,777	—	9.500			
	Sunimoto Mitsui Banking Corporation (7)	—	5,500,000	—	5,500,000	—	52,226	—	52,226	1.680	December 20, 2016	Repayment of loans payable	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.(7)	—	5,500,000	—	5,500,000	—	52,226	—	52,226	1.680	December 20, 2016		
	Shinsei Bank, Limited (7)	—	4,000,000	—	4,000,000	—	37,983	—	37,983	1.680	December 20, 2016		
	Citibank Japan Ltd.(7)	—	2,000,000	—	2,000,000	—	18,991	—	18,991	1.680	December 20, 2016		
Shinsei Trust & Banking Co., Ltd.(7)	—	2,000,000	—	2,000,000	—	18,991	—	18,991	1.680	December 20, 2016			
Aozora Bank, Ltd.(7)	—	1,350,000	—	1,350,000	—	12,819	—	12,819	1.680	December 20, 2016			
Total long-term loans payable		22,891,500	20,350,000	22,891,500	20,350,000	217,372	193,239	217,372	193,239	—	—	—	—
Long-term loans payable in trust (9)	Mizuho Trust & Banking Co., Ltd.(4)	3,750,000	—	—	3,750,000	35,609	—	—	35,609	2.500	January 25, 2017	Repayment of loans payable	Secured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.(4)	3,620,000	—	—	3,620,000	34,374	—	—	34,374	2.500	January 25, 2018		
	Mizuho Trust & Banking Co., Ltd.(4)	3,630,000	—	—	3,630,000	34,469	—	—	34,469	2.500	January 25, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (5)	2,700,000	—	—	2,700,000	25,638	—	—	25,638	1.900	March 31, 2018	Acquisition of properties and trust beneficiary interest in properties trust	
	Mitsubishi UFJ Trust and Banking Corporation (6)	2,860,000	—	—	2,860,000	27,157	—	—	27,157	1.900	March 31, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (5)	1,830,000	—	—	1,830,000	17,377	—	—	17,377	1.900	March 31, 2020		
	Mitsubishi UFJ Trust and Banking Corporation (6)	2,570,000	—	—	2,570,000	24,404	—	—	24,404	1.900	March 31, 2019		
Total long-term loans payable in trust		20,960,000	—	—	20,960,000	199,031	—	—	199,031	—	—	—	—
Total loans payable		43,851,500	20,350,000	22,891,500	41,310,000	416,403	193,239	217,372	392,270	—	—	—	—

Notes:

- (1) The average interest rate indicates a weighted average interest rate for each six month period, rounded to the third decimal places.
- (2) A portion of the principal in the amount of ¥37 million is repaid on each interest payment date (every 3 months) and the remaining balance is to be

- repaid on the due date.
- (3) A portion of the principal in the amount of ¥28 million is repaid on each interest payment date (every 3 months) and the remaining balance is to be repaid on the due date.
 - (4) The Company will start to pay principal on every interest 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 20 years (80 payments in total). The balance after the above payments will be paid fully on the principal maturity date. 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.
 - (5) Long-term loans payable include current portion.
 - (6) 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 interest 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.
 - (7) A portion of the principal in the amount of ¥16 million is repaid on each interest payment date (every month) and the remaining balance is to be repaid on the due date.
 - (8) The principal was repaid in full on December 20, 2013.
 - (9) Long-term loans payable in trust include current portion.

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

	As of						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
1-2 years	¥ —	¥ 262,000	¥ 262,000	¥ 13,324,500	¥ 22,629,500	¥ 203,520	\$ 1,932
2-3 years	—	10,774,500	20,079,500	9,436,000	—	19,942,960	189,373
3-4 years	—	9,436,000	—	—	—	—	—
4-5 years	—	—	—	—	—	—	—

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, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
1-2 years	¥ —	¥ —	¥ —	¥ 105,833	¥ 320,981	¥ 450,442	\$ 4,277
2-3 years	—	105,833	320,981	450,442	491,866	516,273	4,902
3-4 years	—	432,275	436,972	516,273	3,861,986	3,819,427	36,268
4-5 years	—	442,466	3,787,346	3,819,427	6,238,387	6,196,028	58,836

10. 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\$ 474 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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013.

The number of investment units issued and outstanding were 636,695 units, 1,348,292 units, 1,348,292 units, 1,348,292 units, 1,348,292 units and 1,573,179 units as of June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013, respectively.

11. 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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013.

	For the six months ended						December 31, 2013 (in thousands of U.S. dollars)
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
Unappropriated retained earnings.....	¥ 3,172,324	¥ 568,830	¥ 427,346	¥ 271,868	¥ 449,196	¥ 446,003	\$ 4,235
Cash distribution declared.....	(127,339)	(269,658)	(269,658)	(157,750)	(355,949)	(372,843)	(3,540)
Retained earnings carried forward.....	¥ 3,044,985	¥ 299,171	¥ 157,688	¥ 114,118	¥ 93,247	¥ 73,159	\$ 694

A dividend in respect of the six months ended December 31, 2013 of ¥237 (US\$2) per investment unit, amounting to a total dividend of ¥372,843 thousand (US\$3,540 thousand) was proposed and approved at the Board of Directors meeting on March 5, 2014. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥200, ¥200, ¥200, ¥117, ¥264 and ¥237 (US\$2) for the six months ended June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013, respectively.

12. Rent Revenue — 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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013 consist of the following:

	For the six months ended						December 31, 2013 (in thousands of U.S. dollars)
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
Rental revenue — real estate:							
Rental revenue and common area charges.....	¥ 2,073,106	¥ 2,033,712	¥ 1,996,336	¥ 2,300,764	¥ 2,537,676	¥ 2,542,588	\$ 24,143
Other.....	204,268	168,736	180,502	175,665	222,500	197,861	1,878
Total rental revenue — real estate.....	¥ 2,277,374	¥ 2,202,448	¥ 2,176,839	¥ 2,476,430	¥ 2,760,177	¥ 2,740,449	\$ 26,022
Expenses related to property rental business:							
Facility management fees.....	¥ 388,633	¥ 395,669	¥ 359,308	¥ 403,390	¥ 441,633	¥ 435,966	\$ 4,139
Property related taxes.....	161,568	150,901	146,563	141,455	162,456	175,993	1,671
Insurance expense.....	5,992	4,245	4,118	4,677	5,160	5,085	48
Other.....	167,165	165,093	102,601	126,526	142,512	116,754	1,108
Depreciation.....	428,247	422,084	411,685	480,622	543,640	527,420	5,008
Total expenses related to property rental business.....	¥ 1,151,606	¥ 1,137,994	¥ 1,024,277	¥ 1,156,672	¥ 1,295,403	¥ 1,261,221	\$ 11,976
Operating income from property leasing activities.....	¥ 1,125,768	¥ 1,064,454	¥ 1,152,562	¥ 1,319,757	¥ 1,464,773	¥ 1,479,227	\$ 14,046

13. 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			
	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
	(Rate)			
Statutory tax rates	39.33 %	36.59 %	36.59 %	36.59 %
Deductible cash distributions	(20.06)	(17.47)	(31.40)	—
Increase (decrease) in valuation allowance	(19.27)	(19.22)	(5.19)	(36.59)
Other	0.48	0.63	0.18	0.17
Effective tax rates	0.48 %	0.53 %	0.18 %	0.17 %

Reconciliations of the Company's effective tax rates and statutory tax rates for the six months ended June 30, 2011 and December 31, 2011 are not presented because the Company posted a loss before income taxes.

(b) Deferred tax assets consist of the following:

	As of						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
Deferred tax assets:							
Current:							
Enterprise tax payable	¥ 91	¥ 721	¥ 544	¥ 564	¥ 590	¥ 590	\$ 5
Accounts receivable—other	166	166	—	—	—	—	—
Rental receivables (merger)	2,573	227	211	211	211	211	2
Allowance for doubtful accounts	—	122	304	291	559	941	8
Accrued expenses	—	6,696	6,454	6,454	6,454	—	—
Total	2,831	7,934	7,515	7,522	7,815	1,743	16
Non-current:							
Buildings and other (merger)	1,584,151	1,317,594	1,227,581	1,208,736	1,194,346	1,177,288	11,179
Land (merger)	3,471,005	2,547,099	2,547,099	2,547,099	2,547,099	2,547,099	24,186
Buildings in trust (impairment loss)	94,337	—	—	—	—	—	—
Land in trust (impairment loss)	397,215	—	—	—	—	—	—
Long-term accrued expenses	—	520,716	517,072	513,845	510,618	—	—
Net loss carried forward	6,492,677	7,023,707	7,023,707	7,023,707	7,023,707	7,401,300	70,281
Subtotal	12,039,387	11,409,117	11,315,460	11,293,388	11,275,771	11,125,688	105,647
Valuation allowance	12,042,218	11,417,051	11,322,975	11,300,910	11,283,586	11,127,431	105,663
Total	—	—	—	—	—	—	—
Net deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —

14. 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.

15. Gain on forgiveness of debts

On July 27, 2011, the Company and Shinsei Trust & Banking Co., Ltd (the lender) agreed that the lender would release the Company from the current portion of long-term loans payable based on a change in the loan agreement.

The Company recorded gain on forgiveness of debts in the total amount of ¥1,000,197 thousand (¥975,000 thousand on July 29, 2011 and ¥25,197 thousand on October 21, 2011) for the six months ended December 31, 2011.

16. Breakdown of Loss on Sales of Properties

	For the six months ended	
	December 31, 2011	
	(in thousands of yen)	
New Edobashi building		
Income due to sales of properties.....	¥	5,165,000
Cost of properties sold.....		6,128,165
Other sales-related costs.....		49,550
Loss on sales of properties.....	¥	1,012,716

17. Loss on Disaster

The repair costs for properties damaged by the Great East Japan Earthquake have been recorded for the six months ended June 30, 2011 and December 31, 2011.

18. Impairment Loss

The Company recognized impairment loss as follows for the six months ended June 30, 2011.

Property	Type	Location	Impairment loss (in thousands of yen)
New Edobashi Building (office)	Buildings in trust Land in trust, etc	Chuo-ku Tokyo	1,249,817

An assessment for impairment is carried out on groups of assets. The Company planned to sell the asset group related to New Edobashi Building. It was determined that the recoverable value was less than the carrying amount, and the Company recognized the impairment loss for the six months ended June 30, 2011.

The impairment loss consist of ¥221,301 thousand related to buildings in trust, ¥18,494 thousand related to buildings and accompanying facilities in trust, ¥3 thousand related to structures in trust, ¥62 thousand related to tools, furniture and fixtures in trust and ¥1,009,954 thousand related to land in trust.

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

19. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013 scheduled to be received are summarized as follows:

	As of						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
Due within one year.....	¥ 674,516	¥ 674,516	¥ 674,516	¥ 674,516	¥ 674,516	¥ 669,922	\$ 6,361
Due over one year.....	8,607,625	8,270,367	7,933,109	7,595,851	7,258,593	6,914,939	65,662
Total.....	¥ 9,282,141	¥ 8,944,883	¥ 8,607,625	¥ 8,270,367	¥ 7,933,109	¥ 7,584,862	\$ 72,024

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013 scheduled to be paid are summarized as follows:

	As of						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of yen)						(in thousands of U.S. dollars)
Due within one year.....	¥ 112,249	¥ 112,249	¥ 112,249	¥ 112,249	¥ 112,249	¥ 112,249	\$ 1,065
Due over one year.....	2,617,036	2,560,911	2,504,787	2,448,662	2,392,537	2,336,413	22,186
Total.....	¥ 2,729,285	¥ 2,673,160	¥ 2,617,036	¥ 2,560,911	¥ 2,504,787	¥ 2,448,662	\$ 23,251

20. 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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013.

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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013.

	As of											
	June 30, 2011			December 31, 2011			June 30, 2012			December 31, 2012		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(in thousands of yen)												
Assets:												
Current:												
(1) Cash and bank deposits	¥ 2,478,178	¥ 2,478,178	¥ --	¥ 3,147,282	¥ 3,147,282	¥ --	¥ 3,080,041	¥ 3,080,041	¥ --	¥ 745,429	¥ 745,429	¥ --
(2) Cash and bank deposits in trust	2,203,864	2,203,864	--	2,056,083	2,056,083	--	2,130,105	2,130,105	--	2,786,480	2,786,480	--
Total assets	¥ 4,682,043	¥ 4,682,043	¥ --	¥ 5,203,366	¥ 5,203,366	¥ --	¥ 5,210,146	¥ 5,210,146	¥ --	¥ 3,531,910	¥ 3,531,910	¥ --
Liabilities:												
(3) Short-term loans payable	¥ 25,796,425	¥ 25,796,425	¥ --	¥ --	¥ --	¥ --	¥ --	¥ --	¥ --	¥ --	¥ --	¥ --
(4) Current portion of long-term loans payable	--	--	--	262,000	262,007	7	262,000	262,025	25	262,000	262,039	39
(5) Long-term loans payable	--	--	--	20,472,500	20,485,275	12,775	20,341,500	20,369,399	27,893	22,760,500	22,788,497	27,997
(6) Current portion of long-term loans payable in trust	16,800,000	16,800,000	--	--	--	--	--	--	--	--	--	--
(7) Long-term loans payable in trust	--	--	--	11,000,000	11,060,554	60,554	11,000,000	11,097,830	97,830	20,960,000	21,195,979	235,979
Total liabilities	¥ 42,596,425	¥ 42,596,425	¥ --	¥ 31,734,500	¥ 31,807,837	¥ 73,337	¥ 31,603,500	¥ 31,729,249	¥ 125,749	¥ 43,982,500	¥ 44,246,517	¥ 264,017

	As of								
	June 30, 2013			December 31, 2013			December 31, 2013		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(in thousands of yen)									
Assets:									
Current:									
(1) Cash and bank deposits	¥ 1,427,483	¥ 1,427,483	¥ --	¥ 1,457,257	¥ 1,457,257	¥ --	\$ 13,837	\$ 13,837	\$ --
(2) Cash and bank deposits in trust	2,690,331	2,690,331	--	2,729,902	2,729,902	--	25,922	25,922	--
Total assets	¥ 4,117,815	¥ 4,117,815	¥ --	¥ 4,187,160	¥ 4,187,160	¥ --	\$ 39,760	\$ 39,760	\$ --
Liabilities:									
(3) Short-term loans payable	--	--	--	--	--	--	--	--	--
(4) Current portion of long-term loans payable	¥ 262,000	¥ 263,952	¥ 1,952	¥ 203,520	¥ 203,520	¥ --	\$ 1,932	\$ 1,932	\$ --
(5) Long-term loans payable	22,629,500	22,932,788	303,288	20,146,480	20,146,480	--	191,306	191,306	--
(6) Current portion of long-term loans payable in trust	--	--	--	105,833	106,409	576	1,004	1,010	5
(7) Long-term loans payable in trust	20,960,000	21,117,642	157,642	20,854,166	21,127,212	273,045	198,026	200,619	2,592
Total liabilities	¥ 43,851,500	¥ 44,314,382	¥ 462,882	¥ 41,310,000	¥ 41,583,622	¥ 273,622	\$ 392,270	\$ 394,868	\$ 2,598

Note (1): 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.

Note (2): Financial instruments for which fair value is difficult to determine are as follows:

	As of						December 31, 2013 (in thousands of U.S. dollars)
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	
	(in thousands of yen)						
Tenant leasehold and security deposits	¥ 183,579	¥ 183,579	¥ 183,579	¥ 183,579	¥ 183,579	¥ 183,579	\$ 1,743
Tenant leasehold and security deposits in trust	1,113,610	930,462	925,696	1,059,315	1,048,635	1,037,721	9,853

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

Note (3): 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 June 30, 2011:						
Cash and bank deposits	¥ 2,478,178	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,203,864	-	-	-	-	-
Total	¥ 4,682,043	¥ -	¥ -	¥ -	¥ -	¥ -
As of December 31, 2011:						
Cash and bank deposits	¥ 3,147,282	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,056,083	-	-	-	-	-
Total	¥ 5,203,366	¥ -	¥ -	¥ -	¥ -	¥ -
As of June 30, 2012:						
Cash and bank deposits	¥ 3,080,041	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,130,105	-	-	-	-	-
Total	¥ 5,210,146	¥ -	¥ -	¥ -	¥ -	¥ -
As of December 31, 2012:						
Cash and bank deposits	¥ 745,429	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,786,480	-	-	-	-	-
Total	¥ 3,531,910	¥ -	¥ -	¥ -	¥ -	¥ -
As of June 30, 2013:						
Cash and bank deposits	¥ 1,427,483	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	2,690,331	-	-	-	-	-
Total	¥ 4,117,815	¥ -	¥ -	¥ -	¥ -	¥ -
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	¥ -	¥ -	¥ -	¥ -	¥ -
	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 December 31, 2013:						
Cash and bank deposits	\$ 13,837	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	25,922	-	-	-	-	-
Total	\$ 39,760	\$ -	\$ -	\$ -	\$ -	\$ -

Note (4): 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 June 30, 2011:						
Short-term loans payable	¥ 25,796,425	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of short-term loans payable	16,800,000	-	-	-	-	-
Total	¥ 42,596,425	¥ -	¥ -	¥ -	¥ -	¥ -
As of December 31, 2011:						
Current portion of short-term loans payable	¥ 262,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	262,000	10,774,500	9,436,000	-	-
Long-term loans payable in trust	-	-	105,833	432,275	442,466	10,019,424
Total	¥ 262,000	¥ 262,000	¥ 10,880,333	¥ 9,868,275	¥ 442,466	¥ 10,019,424
As of June 30, 2012:						
Current portion of short-term loans payable	¥ 262,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	262,000	20,079,500	-	-	-
Long-term loans payable in trust	-	-	320,981	436,972	3,787,346	6,454,699
Total	¥ 262,000	¥ 262,000	¥ 20,400,481	¥ 436,972	¥ 3,787,346	¥ 6,454,699
As of December 31, 2012:						
Current portion of short-term loans payable	¥ 262,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	13,324,500	9,436,000	-	-	-
Long-term loans payable in trust	-	105,833	450,442	516,273	3,819,427	16,068,022
Total	¥ 262,000	¥ 13,430,333	¥ 9,886,442	¥ 516,273	¥ 3,819,427	¥ 16,068,022
As of June 30, 2013:						
Current portion of short-term loans payable	¥ 262,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	22,629,500	-	-	-	-
Long-term loans payable in trust	-	320,981	491,866	3,861,986	6,238,387	10,046,777
Total	¥ 262,000	¥ 22,950,481	¥ 491,866	¥ 3,861,986	¥ 6,238,387	¥ 10,046,777
As of December 31, 2013:						
Current portion of short-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

	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 December 31, 2013:						
Current portion of short-term loans payable	\$ 1,932	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term loans payable	-	1,942	189,373	-	-	-
Current portion of long-term loans payable in trust	1,004	-	-	-	-	-
Long-term loans payable in trust	-	4,277	4,902	36,268	58,836	93,742
Total	\$ 2,937	\$ 6,209	\$ 194,276	\$ 36,268	\$ 58,836	\$ 93,742

21. 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 June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013 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.

22. Related-Party Transactions**(a) Parent Company and Major Corporate Unitholders**

For the six months ended June 30, 2011

None

For the six months ended December 31, 2011

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) (2)	Balance sheet account	Amounts (in thousands of yen) (2)
Interested party of the Asset Manager	Shinsei Trust & Banking Co., Ltd.(1)	Chuo-ku, Tokyo	Finance business	¥ 5,000	—	Lender	Loan-related costs	¥ 1,474,925	Long-term prepaid expenses	¥ 187,960
									Prepaid expenses	¥ 90,517
									Long-term accrued expenses	¥ 1,423,111
									Accrued expenses	¥ 17,640
							Interest expenses	¥ 494,448	Accrued expenses	¥ 143,281

Notes:

- (1) The Company obtained borrowings of ¥10,200,000 thousand from Shinsei Trust & Banking Co., Ltd. on July 29, 2011. This loan includes transactions with Calliope which became the parent company of the Asset Manager on July 29, 2011.

In addition, the Company completed third party allotment of ¥5,999,999 thousand with Calliope on July 29, 2011. Also, on the same day, the Company paid to Calliope ¥336,500 thousand for financial advisory services related to the repayment of loans payable, change of borrowing terms, and the structuring of syndicate loan A and Prudential LPS loan.

- (2) 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, 2012

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) (4)	Balance sheet account	Amounts (in thousands of yen) (3)
Interested party of the Asset Manager (2)	Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Finance business	¥ 5,000	—	Lender	Repayment of long-term loans payable (1) (2)	¥ 56,000	Long-term loans payable	¥ 9,716,000
							Loan-related costs	¥ 43,927	Long-term prepaid expenses	¥ 143,196
									Prepaid expenses	¥ 90,270
									Long-term accrued	¥ 1,413,153

									expenses	
									Accrued expenses	¥ 17,640
							Interest expenses	¥ 425,928	Accrued expenses	¥ 149,395

Notes:

- (1) The conditions of the transaction are included in Note 9.
- (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: 45.23%) 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.

For the six months ended December 31, 2012

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) (6)	Balance sheet account	Amounts (in thousands of yen) (6)
Interested party of the Asset Manager (2)	Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Finance business	¥ 5,000	—	Lender	Repayment of long-term loans payable (1) (2)	¥ 56,000	Long-term loans payable (2)	¥ 9,660,000
							Loan-related costs	¥ 45,506	Long-term prepaid expenses	¥ 97,690
									Prepaid expenses	¥ 90,270
									Long-term accrued expenses	¥ 1,404,333
									Accrued expenses	¥ 17,640
Interest expenses	¥ 428,601	Accrued expenses	¥ 141,503							
Interested party of the Asset Manager (3)	Rhodia Godo Kaisha (3)	Minato-ku, Tokyo	Finance business	¥ 0.1	—	Seller of trust beneficiary interests	Acquisition of trust beneficiary interest in properties trust (4) (5) (7)	¥ 14,043,000	—	—

Notes:

- (1) The conditions of the transaction are included in Note 9.
- (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: 45.23%) of the issued investment units of the Company.
- (3) The seller, Rhodia Godo Kaisha, receives an anonymous partnership investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Rhodia Godo Kaisha as a related party.
- (4) 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. The same shall apply hereinafter.
- (5) 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.
- (6) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- (7) For the details on the properties, please refer to "Note 6: Property and Equipment".

For the six months ended June 30, 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)	¥ 56,000	Long-term loans payable	¥ 9,604,000
							Loan-related costs	¥ 44,764	Long-term prepaid expenses	¥ 52,925
									Prepaid expenses	¥ 90,270

									Long-term accrued expenses	¥ 1,395,513
									Accrued expenses	¥ 17,640
							Interest expenses	¥ 418,332	Accrued expenses	¥ 140,614

Notes:

- (1) The conditions of the transaction are included in Note 9.
- (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: 45.23%) 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.

For the six months ended December 31, 2013

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 US dollars)			Type of transactions	Amounts (\$)		Balance sheet account	Amounts (in thousands of yen) (3)
									(in thousands of yen)	(in thousands of U.S. dollars)		
Interested party of the Asset Manager (3)	Sinsai Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Finance business	¥ 5,000	\$ 47,478	—	Lender	Repayment of long-term loans payable (1)(2)	¥ 9,604,000	\$ 91,197	Long-term loans payable	—
								Loan-related costs (5)	¥ 143,196	\$ 1,359	Long-term prepaid expenses	—
											Prepaid expenses	—
											Long-term accrued expenses	—
Interest expenses	¥ 282,853	\$ 2,686	Accrued expenses	—								
Rayo Godo Kaisha	Mitao-ku, Tokyo	Investment management business	¥ 0.1	\$ 0	9.59%	Affiliate of the parent company of the Asset Manager	Underwriting company of capital increase	¥ 1,999,999	\$ 18,991	—	—	

Notes:

- (1) The conditions of the transaction are included in Note 9.
- (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.

(b) Board of Directors and Major Individual Unitholders

For the six months ended June 30, 2011

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) (2)	Balance sheet account	Amounts (in thousands of yen) (2)
Directors and close relatives	Naoki Shibatsuji	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)	¥ 150,256	Accrued expenses	¥ 237,560

Notes:

- (1) Naoki Shibatsuji serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- (2) 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 December 31, 2011

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	Balance sheet account	Amounts (in

					thousands of yen (3)		thousands of yen)(3)
Directors and close relatives	Naoki Shibatsuji	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)	¥ 150,055	Accrued expenses	¥ 78,749
				Payment of the assets sales fee to Consonant Investment Management Co., Ltd.(1)	¥ 27,116	—	—
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 200	Accrued expenses	¥ 210

Notes:

- (1) Naoki Shibatsuji 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 Shibatsuji serves as a representative of the 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, 2012

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 Shibatsuji	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)	¥ 150,000	Accrued expenses	¥ 78,750
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	Accrued expenses	¥ 315

Notes:

- (1) Naoki Shibatsuji 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 Shibatsuji serves as a representative of the 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 December 31, 2012

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 Shibatsuji	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)	¥ 130,067	Accrued expenses	¥ 56,032
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 1,100	Accrued expenses	¥ 840

Notes:

- (1) Naoki Shibatsuji 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 Shibatsuji serves as a representative of the 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, 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)	Balance sheet account	Amounts (in thousands of

				(3)			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)	¥ 1,100	Accrued expenses	¥ 840

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 the 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.
- (4) Naoki Fukuda was elected as a new Management director to replace Naoki Shibatsuji on the board of the Asset Manager on May 31, 2013. In addition, Naoki Fukuda was elected as new Executive officer to replace Naoki Shibatsuji at the general meeting of unitholders of the Company at June 28, 2013. The amount above includes the transactions during the full six months.

For the six months ended December 31, 2013

Type of related-party	Name	Business / Occupation	Voting interest in the Company	Transactions for the period			Balances 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)	¥ 125,000	\$ 1,186	Accrued expenses	¥ 65,625	\$ 623
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	\$ 5	Accrued expenses	¥ 315	\$ 2

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.

23. Per Unit Information

The following table shows net asset value per unit as of June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013 and December 31, 2013, and net income(loss) per unit for the six months then ended. Net income(loss) per unit is calculated by dividing the net income(loss) 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						
	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013	December 31, 2013
	(Yen)						(U.S. dollars)
Net asset value per unit	¥ 44,874	¥ 24,451	¥ 24,346	¥ 24,231	¥ 24,363	¥ 22,785	\$ 216
Net income (loss) per unit	(2,055)	(1,997)	95	85	249	259	2
Weighted average number of units	636,695	1,240,005	1,348,292	1,348,292	1,348,292	1,362,959	—

24. Subsequent Events

None