

Invincible Investment
Corporation

**Audited Financial Statements
for the 20th Fiscal Period
(from January 1, 2013 to June 30, 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.

My name is Naoki Fukuda, and I have recently been appointed to serve as Executive Director of INV. I look forward to this opportunity to fully utilize the work experience I have gained in both the real estate and financial industries in Japan and overseas, and to dedicating myself to INV's optimal management.

Since the merger in February 2010 and 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), we have been able to achieve a financial restructuring and an improvement and strengthening of our earnings potential. We are now at a crucial point in making a leap to a new stage in our development.

INV has a highly stable portfolio with a careful balance among asset types and geographic areas. I believe we are greatly advantaged in being able to fully utilize not only the the property management, planning and financial management ability of Consonant Investment Management Co., Ltd., the Asset Manager, but also the expertize of the Fortress Group, one of the world's leading alternative investment companies, in the real estate and financial business. Under the new management structure, we will seek operations that maximize these advantages and contribute to further growth for INV and further enhancement of unitholders' value.

We hereby provide you with a report of the results of INV's financial results and operational condition for the 20th period (covering the period from January 1, 2013 to June 30, 2013).

During the 20th period, due in part to the full fiscal period contribution of the 24 residential properties acquired during the previous fiscal period, operating revenues were JPY 2,760 million, up JPY 283 million from the previous period, operating income was JPY 1,231 million, up JPY 147 million, and ordinary income and net income both increased significantly by JPY 220 million to reach JPY 335 million. In addition, making use of a portion (JPY 20 million) of the surplus of the negative goodwill attributable to the February 2010 merger, we were able to set the distribution per unit for the 20th at JPY 264, the

highest post-merger level.

Going forward, we will continue to focus on internal growth, including maintaining and increasing occupancy rates and rent levels and maximizing net operating income (NOI) from our properties. In addition, in order to prepare for future refinancings of our borrowings, we will seek to increase the value of our assets, while strengthening our existing relationships with lenders and forging new relationships with other lenders.

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

| | | |
|------------------------|--|-----------------------------|
| Fixed Distributions | The 20th fiscal period (the fiscal period ended June 2013) | Per investment unit JPY 264 |
| Forecast Distributions | The 21st fiscal period (the fiscal period ending December 2013) | Per investment unit JPY 200 |

(Note) We are forecasting operating revenues of JPY 2,740 million and net income of JPY 270 million for the 21st fiscal period.



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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

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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) | 11,855,670 | (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 |
|-------|--------------|--------------|--------------|--------------|--------------|--------------|------------|

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 |
|----------------|----------------|-----------|----------|----------|--------|---------|---------------|-----------------|---------|
|----------------|----------------|-----------|----------|----------|--------|---------|---------------|-----------------|---------|

| | | 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 | | |
| 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 | | |
| | 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 (2) | | 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) | Saiwai 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 | — |
| | | | | | | | | | | | 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:

- Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- Naoki Fukuda serves as a representative of 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.
- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- 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:

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

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