

Invincible Investment
Corporation

**Audited Financial Statements
for the 25th Fiscal Period
(from July 1, 2015 to December 31, 2015)**

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

I would like to take this opportunity to express my sincere gratitude and appreciation to all investors in Invincible Investment Corporation (“INV”) for your continued support.

It is my pleasure to provide you with a report on INV’s asset management and financial results for the 25th period (covering the period from July 1, 2015 to December 31, 2015; the “Reporting Period”).

During the Reporting Period, we conducted our second global public offering (the “Capital Increase”) in two years that raised JPY 29.3 billion in funds. The proceeds from the Capital Increase were used together with new loans to acquire 11 hotels and 3 residential properties in July 2015. In August 2015, we acquired 3 hotels by utilizing the excess cash on hand from the Capital Increase along with new loans. As of the end of the Reporting Period, our portfolio consisted of 111 properties, and our asset size was JPY 173.8 billion (based on the acquisition price).

With respect to the property operations, the average daily rate (ADR) for hotels increased substantially, due in large part to the steep increase in the number of international inbound visitors to Japan, which nearly reached 20 million visitors annually. INV has adopted a variable rent structure at most of the hotels it owns, under which any increase in hotel revenue directly leads to an increase in INV’s revenue. INV’s operating revenue increased by JPY 1,889 million, or 38.0%, from the previous period to JPY 6,863 million due to the revenue contribution of the newly acquired assets referenced above together with an increase in variable rent revenue.

In regards to financial operations, we refinanced all existing loans in July 2015, and concurrently converted all debt to unsecured debt, lengthened and diversified the debt maturity periods and further reduced the interest rates. As of the end of the Reporting Period, the average interest rate on loans was 0.63%, substantially lower than 1.06% as of the end of the previous period.

As a result, net income increased by JPY 657 million, or 28.6%, from the previous period to JPY 2,952 million, and DPU (distribution per unit) increased by JPY 327, or 38.0%, from the previous period to JPY 1,187 (the total of JPY 948 from distribution of earnings per unit and JPY 239 from excess profit distribution per unit). The annual DPU for 2015, the sum of the DPU for the June and December 2015 fiscal periods, was JPY 2,047, a considerable increase of JPY 741, or 56.7%, from the previous year.

In January 2016, INV acquired 5 hotels and 1 residential property by utilizing cash-on-hand and new loans. INV also renewed the MOU with Fortress-related special purpose companies, concerning preferential negotiation rights for the acquisition of 10 additional hotels, including “Sheraton Grande Tokyo Bay Hotel.” As of February 29, 2016, INV had preferential negotiation rights regarding 25 hotels and 9 residential properties. We will further seek to build a portfolio that demonstrates both high growth and stability by utilizing this extensive sponsor pipeline. With respect to INV’s internal growth, we will continue our efforts to maximize the rent revenue from the hotel portfolio, which is expected to achieve high growth in the medium to long-term. In regards to financial operations, we will aim to further strengthen our bank formation and will also make efforts to diversify debt maturity periods, fix some of the interest rates and diversify financing methods, including issuing REIT bonds.

We maintain our policy to “increase distribution per unit,” and will implement strategic initiatives to maximize unitholders’ value.

Your continued support is highly appreciated.



Naoki Fukuda

Executive Officer, Invincible Investment Corporation

President & CEO, Consonant Investment Management Co., Ltd.

Fixed Distributions	The 25th fiscal period (the fiscal period ended December 2015)	Per investment unit JPY 1,187
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(Note) The forward-looking statements, forecasts and goals mentioned above are based on available information, assumptions and estimates as of the end of February, 2016. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV’s control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

Independent Auditor's Report

The Board of Directors
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at December 31, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invincible Investment Corporation as at December 31, 2015, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 18 to the financial statements, which describe issuance of new investment units, new borrowings, acquisition of assets, and interest rate swap agreements. Our opinion is not qualified in respect of this matter.

Convenience Translation

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



March 31, 2016
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET
As of December 31, 2015

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4, 7 and 14)	¥ 2,691,921	¥ 7,885,398	\$ 65,379
Cash and bank deposits in trust (Notes 4, 7 and 14)	4,822,622	5,933,582	49,196
Accounts receivable	190	124	1
Rental receivables	637,813	1,069,352	8,866
Prepaid expenses	260,394	241,931	2,005
Consumption taxes receivable	316,413	928,025	7,694
Other	0	35	0
Allowance for doubtful accounts	(2,436)	(2,494)	(20)
Total current assets	8,726,919	16,055,955	133,122
Non-current assets:			
Property and equipment (Notes 5, 6 and 7):			
Buildings, at cost	85,914	85,914	712
Buildings and accompanying facilities, at cost	38,862	38,862	322
Structures, at cost	2,779	2,779	23
Land	711,834	711,834	5,901
Buildings in trust, at cost	49,657,804	65,882,282	546,242
Buildings and accompanying facilities in trust, at cost	12,748,349	15,364,500	127,389
Structures in trust, at cost	323,594	327,632	2,716
Tools, furniture and fixtures in trust, at cost	302,397	401,404	3,328
Land in trust	69,963,823	88,435,785	733,237
Subtotal	133,835,359	171,250,996	1,419,873
Less: Accumulated depreciation	(6,560,529)	(7,836,243)	(64,971)
Total property and equipment, net	127,274,829	163,414,753	1,354,902
Intangible assets:			
Leasehold rights in trust	-	5,836,789	48,393
Other	45	15	0
Total intangible assets	45	5,836,804	48,394
Investments and other assets:			
Guarantee deposits	10,035	39,518	327
Long-term prepaid expenses	251,697	533,409	4,422
Other	36,218	38,429	318
Total investments and other assets	297,951	611,357	5,068
Total non-current assets	127,572,826	169,862,915	1,408,365
TOTAL ASSETS	¥ 136,299,746	¥ 185,918,871	\$ 1,541,488

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Accounts payable	¥ 168,742	¥ 136,766	\$ 1,133
Short-term loans payable (Notes 7, 8 and 14)	-	1,080,000	8,954
Current portion of long-term loans payable (Notes 7, 8 and 14)	62,341,000	-	-
Current portion of long-term loans payable in trust (Notes 7, 8 and 14)	9,960,000	-	-
Accounts payable-other	43,752	47,597	394
Accrued expenses	174,711	134,010	1,111
Income taxes payable	542	564	4
Advances received	420,660	473,164	3,923
Deposits received	10,108	23,043	191
Total current liabilities	73,119,517	1,895,146	15,713
Non-current liabilities:			
Long-term loans payable (Notes 7, 8 and 14)	-	90,619,000	751,339
Tenant leasehold and security deposits in trust (Note 14)	1,420,014	1,617,867	13,414
Tenant leasehold and security deposits (Note 14)	28,663	28,663	237
Total non-current liabilities	1,448,677	92,265,530	764,990
TOTAL LIABILITIES	74,568,195	94,160,677	780,703
NET ASSETS (Note 9)			
Unitholders' equity:			
Unitholders' capital	53,096,413	82,465,438	683,736
Capital surplus	6,264,432	6,264,432	51,939
Retained earnings	2,370,704	3,028,323	25,108
Total unitholders' equity	61,731,550	91,758,194	760,784
TOTAL NET ASSETS	61,731,550	91,758,194	760,784
TOTAL LIABILITIES AND NET ASSETS	¥ 136,299,746	¥ 185,918,871	\$ 1,541,488

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

INVINCIBLE INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the six months ended December 31, 2015

	For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rental revenue—real estate (Note 11)	¥ 4,974,760	¥ 6,863,775	\$ 56,908
Total operating revenue	<u>4,974,760</u>	<u>6,863,775</u>	<u>56,908</u>
Operating expenses			
Property related expenses (Note 11)	1,834,039	2,178,165	18,059
Directors' compensation	4,800	4,800	39
Asset management fees	180,000	180,000	1,492
Asset custody fees	6,342	6,794	56
Administrative service fees	22,055	25,170	208
Provision of allowance for doubtful accounts	467	58	0
Other	116,123	99,677	826
Total operating expenses	<u>2,163,828</u>	<u>2,494,667</u>	<u>20,683</u>
Operating income	<u>2,810,931</u>	<u>4,369,108</u>	<u>36,225</u>
Non-operating income			
Interest income	1,242	814	6
Interest on tax refund	3,098	936	7
Other	307	454	3
Total non-operating income	<u>4,648</u>	<u>2,205</u>	<u>18</u>
Non-operating expenses			
Interest expenses	379,341	296,892	2,461
Loan-related costs	140,328	982,261	8,144
Investment unit issuance costs	-	138,866	1,151
Total non-operating expenses	<u>519,670</u>	<u>1,418,020</u>	<u>11,757</u>
Ordinary income	<u>2,295,909</u>	<u>2,953,293</u>	<u>24,486</u>
Income before income taxes	<u>2,295,909</u>	<u>2,953,293</u>	<u>24,486</u>
Income taxes (Note 12):			
Current	605	605	5
Deferred	-	-	-
Total income taxes	<u>605</u>	<u>605</u>	<u>5</u>
Net income	<u>2,295,304</u>	<u>2,952,688</u>	<u>24,481</u>
Retained earnings brought forward	<u>75,399</u>	<u>75,634</u>	<u>627</u>
Unappropriated retained earnings (Note 10)	<u>¥ 2,370,704</u>	<u>¥ 3,028,323</u>	<u>\$ 25,108</u>

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended December 31, 2015

	Unitholders' equity					Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity	
		Capital surplus	Retained earnings	Total surplus		
(in thousands of yen)						
Balance as of December 31, 2014	¥ 53,096,413	¥ 6,264,432	¥ 2,031,546	¥ 8,295,978	¥ 61,392,392	¥ 61,392,392
Changes during the period						
Issuance of new investment units	-	-	-	-	-	-
Dividends from surplus	-	-	(1,956,146)	(1,956,146)	(1,956,146)	(1,956,146)
Net income	-	-	2,295,304	2,295,304	2,295,304	2,295,304
Total changes during the period	-	-	339,157	339,157	339,157	339,157
Balance as of June 30, 2015	¥ 53,096,413	¥ 6,264,432	¥ 2,370,704	¥ 8,635,136	¥ 61,731,550	¥ 61,731,550
Changes during the period						
Issuance of new investment units	29,369,025	-	-	-	29,369,025	29,369,025
Dividends from surplus	-	-	(2,295,069)	(2,295,069)	(2,295,069)	(2,295,069)
Net income	-	-	2,952,688	2,952,688	2,952,688	2,952,688
Total changes during the period	29,369,025	-	657,618	657,618	30,026,643	30,026,643
Balance as of December 31, 2015	¥ 82,465,438	¥ 6,264,432	¥ 3,028,323	¥ 9,292,755	¥ 91,758,194	¥ 91,758,194

	Unitholders' equity					Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity	
		Capital surplus	Retained earnings	Total surplus		
(in thousands of U.S. dollars)						
Balance as of June 30, 2015	\$ 440,232	\$ 51,939	\$ 19,655	\$ 71,595	\$ 511,827	\$ 511,827
Changes during the period						
Issuance of new investment units	243,504	-	-	-	243,504	243,504
Dividends from surplus	-	-	(19,028)	(19,028)	(19,028)	(19,028)
Net income	-	-	24,481	24,481	24,481	24,481
Total changes during the period	243,504	-	5,452	5,452	248,956	248,956
Balance as of December 31, 2015	\$ 683,736	\$ 51,939	\$ 25,108	\$ 77,047	\$ 760,784	\$ 760,784

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS For the six months ended December 31, 2015

	For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 2,295,909	¥ 2,953,293	\$ 24,486
Depreciation and amortization	986,795	1,275,744	10,577
Investment unit issuance costs	-	138,866	1,151
Loan-related costs	140,328	982,261	8,144
Interest income	(1,242)	(814)	(6)
Interest expenses	379,341	296,892	2,461
Changes in assets and liabilities			
Increase (decrease) in allowance for doubtful accounts	467	58	0
Decrease (increase) in rental receivables	6,739	(431,538)	(3,577)
Decrease (increase) in consumption taxes receivable	1,002,839	(611,612)	(5,070)
Increase (decrease) in accounts payable	21,539	(25,114)	(208)
Increase (decrease) in accounts payable-other	17,865	1,989	16
Increase (decrease) in accrued expenses	49,396	(9,097)	(75)
Increase (decrease) in advances received	49,576	52,504	435
Increase (decrease) in deposits received	(13,787)	12,935	107
Other, net	(9,953)	4,131	34
Subtotal	4,925,816	4,640,500	38,475
Interest income received	1,242	814	6
Interest expenses paid	(381,197)	(328,496)	(2,723)
Income taxes paid	(640)	(583)	(4)
Net cash provided by operating activities	4,545,220	4,312,234	35,753
Cash flows from investing activities:			
Purchases of property and equipment in trust	(13,512,228)	(37,422,498)	(310,276)
Purchases of leasehold rights in trust	-	(5,836,789)	(48,393)
Repayments of tenant leasehold and security deposits in trust	(95,186)	239,098	1,982
Proceeds from tenant leasehold and security deposits in trust	406,054	(40,738)	(337)
Other, net	(1,487)	(31,694)	(262)
Net cash used in investing activities	(13,202,847)	(43,092,621)	(357,288)
Cash flows from financing activities:			
Proceeds from short-term loans payable	-	1,401,000	11,615
Repayments of short-term loans payable	-	(321,000)	(2,661)
Proceeds from long-term loans payable	6,241,000	90,619,000	751,339
Repayments of long-term loans payable	(1,200,000)	(62,341,000)	(516,880)
Repayments of long-term loans payable in trust	-	(9,960,000)	(82,580)
Payments for loan-related costs	(81,398)	(1,250,432)	(10,367)
Distribution payments	(1,952,824)	(2,292,901)	(19,010)
Proceeds from issuance of investment units	-	29,230,158	242,352
Net cash used in financing activities	3,006,776	45,084,824	373,806
Net increase (decrease) in cash and cash equivalents	(5,650,850)	6,304,437	52,271
Cash and cash equivalents at beginning of period	13,165,393	7,514,543	62,304
Cash and cash equivalents at end of period (Note 4)	¥ 7,514,543	¥ 13,818,981	\$ 114,575

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 December 31, 2015

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.

On July 16, 2014, the Company completed its fourth public offering totaling 1,040,000 new investment units at a price of ¥21,873 per unit. 527,322 of such units were issued in connection with a Domestic Public Offering, and the remaining 512,678 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On August 13, 2014, the Company issued an additional 55,507 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥23.9 billion were used to repay the Company’s outstanding short term borrowings and in connection with the acquisition of 18 properties during this fiscal period.

On July 15, 2015, the Company completed its fifth public offering totaling 500,000 new investment units at a price of ¥57,817 per unit. 211,250 of such units were issued in connection with a Domestic Public Offering, and the remaining 288,750 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On August 12, 2015, the Company issued an additional 25,000 investments units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥29.3 billion were used to repay the Company’s outstanding long term borrowings and in connection with the acquisition of 14 properties during this fiscal period.

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
	December 31, 2015
Buildings	77 years
Buildings and accompanying facilities	8-24
Structures	7-18
Buildings in trust	2-67
Buildings and accompanying facilities in trust	2-32
Structures in trust	4-55
Tools, furniture and fixtures in trust	2-15

(d) Intangible Assets

Intangible assets are amortized on a straight-line basis.

(e) Long-term Prepaid Expenses

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

(f) Investment Unit Issuance Costs

Investment unit issuance costs are recorded as expenses when incurred.

(g) Allowance for Doubtful Accounts

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

(h) Impairment of Fixed Assets

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

(i) Accounting Treatment of Trust Beneficiary Interests in Real Estate Trusts

For trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Company holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant accounts of the balance sheet and statement

of income and retained earnings of the Company in proportion to the percentage that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheets of the Company.

(j) Income Taxes

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

(k) Consumption Taxes

Consumption taxes withheld and consumption taxes paid are not included in the statement of income and retained earnings. Consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

(l) Taxes on Property and Equipment

Property and equipment are subject to various taxes, such as property taxes and urban planning taxes on an annual basis. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1 of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with Japanese GAAP. In subsequent calendar years, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥42,497 (US\$347) thousand for the six months ended December 31, 2015.

3. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥120.61 = US\$1, the effective rate of exchange prevailing at December 31, 2015. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended December 31, 2015 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

4. Cash and Cash Equivalents

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

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 2,691,921	¥ 7,885,398	\$ 65,379
Cash and bank deposits in trust	4,822,622	5,933,582	49,196
Cash and cash equivalents	¥ 7,514,543	¥ 13,818,981	\$ 114,575

5. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended December 31, 2015.

	At cost						Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance					
	(in thousands of yen)								
Buildings	¥ 85,914	¥ -	¥ -	¥ 85,914	¥ 9,407	¥ 541	¥ 76,507		
Buildings and accompanying facilities	38,862	-	-	38,862	20,593	849	18,268		
Structures	2,779	-	-	2,779	1,335	65	1,443		
Land	711,834	-	-	711,834	-	-	711,834		

Buildings in trust	49,657,804	16,224,478	-	65,882,282	4,510,729	784,615	61,371,553
Buildings and accompanying facilities in trust	12,748,349	2,616,151	-	15,364,500	3,006,062	454,252	12,358,438
Structures in trust	323,594	4,038	-	327,632	138,040	9,693	189,591
Tools, furniture and fixtures in trust	302,397	99,007	-	401,404	150,073	25,696	251,331
Land in trust	69,963,823	18,471,961	-	88,435,785	-	-	88,435,785
Leasehold rights in trust	-	5,836,789	-	5,836,789	-	-	5,836,789
Total	¥ 133,835,359	¥ 43,252,426	¥ -	¥ 177,087,786	¥ 7,836,243	¥ 1,275,714	¥ 169,251,542

	At cost						Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation for the period	
	(in thousands of U.S. dollars)						
Buildings	\$ 712	\$ -	\$ -	\$ 712	\$ 77	\$ 4	\$ 634
Buildings and accompanying facilities	322	-	-	322	170	7	151
Structures	23	-	-	23	11	0	11
Land	5,901	-	-	5,901	-	-	5,901
Buildings in trust	411,722	134,520	-	546,242	37,399	6,505	508,842
Buildings and accompanying facilities in trust	105,698	21,690	-	127,389	24,923	3,766	102,466
Structures in trust	2,682	33	-	2,716	1,144	80	1,571
Tools, furniture and fixtures in trust	2,507	820	-	3,328	1,244	213	2,083
Land in trust	580,083	153,154	-	733,237	-	-	733,237
Leasehold rights in trust	-	48,393	-	48,393	-	-	48,393
Total	\$ 1,109,653	\$ 358,613	\$ -	\$ 1,468,267	\$ 64,971	\$ 10,577	\$ 1,403,296

Increases in the net book values are mainly due to the acquisition of 17 properties (¥42,627,000 thousand) as shown below and capitalized expenditures.

Property No.	Property name	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
D24	Hotel Mystays Haneda	7,801,000	64,679
D25	Hotel Mystays Kameido P1	5,594,000	46,380
D26	Hotel Mystays Ueno Iriyaguchi	3,821,000	31,680
D27	Hotel Mystays Kameido P2	3,742,000	31,025
D28	Hotel Vista Shimizu	2,198,000	18,224
D29	Super Hotel Shinbachi /Karasumoriguchi	1,624,000	13,464
D30	Flexstay Inn Higashi-Jujo	1,277,000	10,587
D31	Hotel Mystays Utsunomiya	1,237,000	10,256
D32	Flexstay Inn Kawasaki-Kaizuka	980,000	8,125
D33	Confort Hotel Toyama Ekimae	979,000	8,117
D34	Flexstay Inn Kawasaki-Ogawacho	906,000	7,511
A100	City Court Kitaichijo	1,782,000	14,774
A101	Lieto Court Mukojima	1,683,000	13,954
A102	Lieto Court Nishi-Ojima	1,634,000	13,547
D35	Flexstay Inn Ekoda	5,069,000	42,028
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	1,170,000	9,700
D37	Super Hotel JR Ueno-Iriyaguchi	1,130,000	9,369
	Total	42,627,000	353,428

6. Fair Value of Investment and Rental Properties

The following tables show the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended June 30, 2015 and December 31, 2015.

Residential

	As of / For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 55,569,758	¥ 55,269,403	\$ 458,248
Net increase (decrease) during period	(300,354)	5,036,303	41,756

Balance at the end of period	55,269,403	60,305,706	500,005
Fair value	<u>¥ 62,209,000</u>	<u>¥ 68,592,000</u>	<u>\$ 568,709</u>

Office

	As of / For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 8,551,609	¥ 8,514,702	\$ 70,596
Net increase (decrease) during period	(36,906)	(26,826)	(222)
Balance at the end of period	8,514,702	8,487,876	70,374
Fair value	<u>¥ 7,181,000</u>	<u>¥ 7,206,000</u>	<u>\$ 59,746</u>

Retail facilities

	As of / For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 5,225,394	¥ 5,178,288	\$ 42,934
Net increase (decrease) during period	(47,106)	(44,205)	(366)
Balance at the end of period	5,178,288	5,134,083	42,567
Fair value	<u>¥ 5,820,000</u>	<u>¥ 5,830,000</u>	<u>\$ 48,337</u>

Parking lots

	As of / For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 100,823	¥ 100,822	\$ 835
Net increase (decrease) during period	(1)	(1)	0
Balance at the end of period	100,822	100,821	835
Fair value	¥ 109,000	¥ 112,000	\$ 928

Hotel

	As of / For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 45,296,007	¥ 58,211,612	\$ 482,643
Net increase (decrease) during period	12,915,605	37,011,441	306,868
Balance at the end of period	58,211,612	95,223,054	789,512
Fair value	¥ 71,555,000	¥ 133,212,000	\$ 1,104,485

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, 2015 and December 31, 2015, please refer to "Note 11: Rent Revenues—Real Estate and Expenses Related to Property Rental Business"

7. Collateral

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

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 312,245	¥ -	\$ -
Cash and bank deposits in trust	4,822,622	-	-
Buildings	77,048	-	-
Buildings and accompanying facilities	19,117	-	-
Structures	1,509	-	-
Land	711,834	-	-
Buildings in trust	45,931,690	-	-
Buildings and accompanying facilities in trust	10,196,539	-	-
Structures in trust	195,246	-	-
Tools, furniture and fixtures in trust	178,020	-	-
Land in trust	69,963,823	-	-
Total	¥ 132,409,697	¥ -	\$ -

The following table shows the loans payable secured by collateral.

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Current portion of long-term loans payable	62,341,000	-	-
Long-term loans payable	-	-	-
Current portion of long-term loans payable in trust	9,960,000	-	-
Long-term loans payable in trust	-	-	-
Total	¥ 72,301,000	¥ -	\$ -

8. Loans Payable

The following table shows the details of loans payable for the six months ended December 31, 2015.

For the six months ended December 31, 2015

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)			
Short-term loans payable	Sumitomo Mitsui Banking Corporation (3)	-	467,000	107,000	360,000	-	3,871	887	2,984	0.330	May 16, 2016	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (3)	-	467,000	107,000	360,000	-	3,871	887	2,984	0.330	May 16, 2016		
	Mizuho Bank, Ltd. (3)	-	467,000	107,000	360,000	-	3,871	887	2,984	0.330	May 16, 2016		
	Total short-term loans payable	-	1,401,000	321,000	1,080,000	-	11,615	2,661	8,954				
Long-term loans payable (6)	Sumitomo Mitsui Banking Corporation (4)	12,000,000	-	12,000,000	-	99,494	-	99,494	-	0.930	July 14, 2017	(2)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (4)	12,000,000	-	12,000,000	-	99,494	-	99,494	-	0.930	July 14, 2017		
	Mizuho Bank, Ltd. (4)	12,000,000	-	12,000,000	-	99,494	-	99,494	-	0.930	July 14, 2017		
	Shinsei Bank, Limited (4)	6,500,000	-	6,500,000	-	53,892	-	53,892	-	0.930	July 14, 2017		
	Citibank Japan Ltd. (4)	6,500,000	-	6,500,000	-	53,892	-	53,892	-	0.930	July 14, 2017		
	Sumitomo Mitsui Trust Bank, Limited (4)	5,000,000	-	5,000,000	-	41,455	-	41,455	-	0.930	July 14, 2017		
	Resona Bank, Limited (4)	2,100,000	-	2,100,000	-	17,411	-	17,411	-	0.930	July 14, 2017	(2)	Secured and unguaranteed
	Sumitomo Mitsui Banking Corporation (4)	1,357,000	-	1,357,000	-	11,251	-	11,251	-	0.930	February 6, 2018		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (4)	1,357,000	-	1,357,000	-	11,251	-	11,251	-	0.930	February 6, 2018		
	Mizuho Bank, Ltd. (4)	1,357,000	-	1,357,000	-	11,251	-	11,251	-	0.930	February 6, 2018		
	Shinsei Bank, Limited (4)	650,000	-	650,000	-	5,389	-	5,389	-	0.930	February 6, 2018		
	Citibank Japan Ltd. (4)	650,000	-	650,000	-	5,389	-	5,389	-	0.930	February 6, 2018		
	Sumitomo Mitsui Trust Bank, Limited. (4)	470,000	-	470,000	-	3,896	-	3,896	-	0.930	February 6, 2018		
	Resona Bank, Limited. (4)	400,000	-	400,000	-	3,316	-	3,316	-	0.930	February 6, 2018		

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)			
	Sumitomo Mitsui Banking Corporation	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.530	July 16, 2018	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.530	July 16, 2018		
	Mizuho Bank, Ltd.	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.530	July 16, 2018		
	Shinsei Bank, Limited	-	3,330,000	-	3,330,000	-	27,609	-	27,609	0.530	July 16, 2018		
	Citibank Japan Ltd.	-	3,000,000	-	3,000,000	-	24,873	-	24,873	0.530	July 16, 2018		
	Sumitomo Mitsui Trust Bank, Limited	-	2,670,000	-	2,670,000	-	22,137	-	22,137	0.530	July 16, 2018		
	Resona Bank, Limited.	-	1,335,000	-	1,335,000	-	11,068	-	11,068	0.530	July 16, 2018		
	Mitsubishi UFJ Trust and Banking Corporation	-	668,000	-	668,000	-	5,538	-	5,538	0.530	July 16, 2018		
	Sumitomo Mitsui Banking Corporation	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.630	July 16, 2019	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.630	July 16, 2019		
	Mizuho Bank, Ltd.	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.630	July 16, 2019		
	Shinsei Bank, Limited	-	3,330,000	-	3,330,000	-	27,609	-	27,609	0.630	July 16, 2019		
	Citibank Japan Ltd.	-	3,000,000	-	3,000,000	-	24,873	-	24,873	0.630	July 16, 2019		
	Sumitomo Mitsui Trust Bank, Limited	-	2,670,000	-	2,670,000	-	22,137	-	22,137	0.630	July 16, 2019		
	Resona Bank, Limited.	-	1,335,000	-	1,335,000	-	11,068	-	11,068	0.630	July 16, 2019		
	Mitsubishi UFJ Trust and Banking Corporation	-	668,000	-	668,000	-	5,538	-	5,538	0.630	July 16, 2019		
	Sumitomo Mitsui Banking Corporation	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.730	July 16, 2020	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.730	July 16, 2020		
	Mizuho Bank, Ltd.	-	5,992,000	-	5,992,000	-	49,680	-	49,680	0.730	July 16, 2020		
	Shinsei Bank, Limited	-	3,330,000	-	3,330,000	-	27,609	-	27,609	0.730	July 16, 2020		
	Citibank Japan Ltd.	-	3,000,000	-	3,000,000	-	24,873	-	24,873	0.730	July 16,		

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)			
											2020		
	Sumitomo Mitsui Trust Bank, Limited	-	2,670,000	-	2,670,000	-	22,137	-	22,137	0.730	July 16, 2020		
	Resona Bank, Limited.	-	1,335,000	-	1,335,000	-	11,068	-	11,068	0.730	July 16, 2020		
	Mitsubishi UFJ Trust and Banking Corporation	-	668,000	-	668,000	-	5,538	-	5,538	0.730	July 16, 2020		
	Mizuho Bank, Ltd.	-	3,682,000	-	3,682,000	-	30,528	-	30,528	0.630	August 28, 2019	(2)	Unsecured and unguaranteed
	Total long-term loans payable	62,341,000	90,619,000	62,341,000	90,619,000	516,880	751,339	516,880	751,339	-	-	-	-
Long-term loans payable in trust	Mitsubishi UFJ Trust and Banking Corporation (4)(5)	2,700,000	-	2,700,000	-	22,386	-	22,386	-	1.900	March 31, 2018	(2)	Secured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (4)(5)	2,860,000	-	2,860,000	-	23,712	-	23,712	-	1.900	March 31, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (4)(5)	1,830,000	-	1,830,000	-	15,172	-	15,172	-	1.900	March 31, 2020		
	Mitsubishi UFJ Trust and Banking Corporation (4)(5)	2,570,000	-	2,570,000	-	21,308	-	21,308	-	1.900	March 31, 2019		
	Total long-term loans payable in trust	9,960,000	-	9,960,000	-	82,580	-	82,580	-	-	-	-	-
	Total loans payable	72,301,000	92,020,000	72,622,000	91,699,000	599,461	762,954	602,122	760,293	-	-	-	-

Notes:

- (1) The average interest rate indicates a weighted average interest rate for each six-month period, rounded to three decimal places.
- (2) The funds are mainly used to acquire real estate properties or properties in trust and for repayment of loans payable.
- (3) The part of principal (¥321 million) was repaid using the refund of consumption taxes on November 30, 2015.
- (4) The principal of all the secured loans payable were repaid in full on July 16, 2015.
- (5) 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 received 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.
- (6) 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	
	December 31, 2015 (in thousands of yen)	December 31, 2015 (in thousands of U.S. dollars)
1-2 years	¥ -	\$ -
2-3 years	28,979,000	240,270
3-4 years	32,661,000	270,798
4-5 years	28,979,000	240,270

9. Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new investment units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50,000 thousand (US\$ 414 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, 2015 and December 31, 2015.

The number of investment units issued and outstanding were 2,668,686 units as of June 30, 2015 and 3,193,686 December 31, 2015 respectively.

10. Appropriation of Retained Earnings

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

The following table shows the appropriation of retained earnings for the six months ended June 30, 2015 and December 31, 2015.

	For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 2,370,704	¥ 3,028,323	\$ 25,108
Distributions in excess of retained earnings			
Deduction from capital surplus	-	763,290	6,328
Distributions	(2,295,069)	(3,790,905)	(31,431)
Of which, distributions of earnings	(2,295,069)	(3,027,614)	(25,102)
Of which, distributions in excess of retained earnings	-	(763,290)	(6,328)
Voluntary reserve			
Reserve for temporary difference adjustment	-	708	5
Retained earnings carried forward	¥ 75,634	¥ -	\$ -

The distributions in respect of the six months ended December 31, 2015 of ¥1,187 (US\$9.8) per investment unit, amounting to a total dividend of ¥3,790,905 thousand (US\$31,431 thousand), including distributions in excess of retained earnings (return of capital), was proposed and approved at the Board of Directors meeting on February 25, 2016. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥860 and ¥1,187 (US\$9.8) for the six months ended June 30, 2015, and December 31, 2015, respectively.

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

Rent revenue – real estate and expenses related to property rental business for the six months ended June 30, 2015 and December 31, 2015 consist of the following:

	For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges	¥ 4,738,713	¥ 6,652,619	\$ 55,158
Other	236,047	211,156	1,750
Total rental revenue – real estate	¥ 4,974,760	¥ 6,863,775	\$ 56,908
Expenses related to property rental business:			
Facility management fees	¥ 468,393	¥ 472,597	\$ 3,918
Property related taxes	201,860	250,268	2,075
Insurance expense	7,061	9,934	82
Depreciation	986,765	1,275,714	10,577
Other	169,957	169,651	1,406
Total expenses related to property rental business	¥ 1,834,039	¥ 2,178,165	\$ 18,059
Operating income from property leasing activities	¥ 3,140,721	¥ 4,685,610	\$ 38,849

12. Income Taxes

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

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

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

	For the six months ended	
	June 30, 2015	December 31, 2015
	(Rate)	
Statutory tax rates	34.15 %	32.31 %
Deductible cash distributions	(33.80)	(31.93)
Increase (decrease) in valuation allowance	0.63	(0.38)
Other	(0.95)	0.02
Effective tax rates	0.03 %	0.02 %

(b) Deferred tax assets consist of the following:

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Current:			
Enterprise tax payable	¥ 489	¥ 489	\$ 4
Rental receivables (merger)	186	186	1
Allowance for doubtful accounts	787	806	6
Total	1,463	1,482	12
Non-current:			
Buildings and other (merger)	746,394	735,158	6,095
Land (merger)	2,129,657	2,129,657	17,657
Net loss carried forward	7,329,595	7,329,595	60,771
Subtotal	10,205,647	10,194,411	84,523
Valuation allowance	(10,207,110)	(10,195,894)	(84,536)
Total	—	—	—
Net deferred tax assets	¥ —	¥ —	\$ —

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

With the "Act for Partial Revision of the Income Tax Act, Etc "(Act No. 9 of 2015) promulgated on March 31, 2015, the effective tax rate used to calculate deferred tax assets and deferred tax liabilities concerning temporary differences, etc. expected to be resolved in accounting periods beginning on or after July 1, 2015 was changed to 32.31%.

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

13. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of June 30, 2015 and December 31, 2015 scheduled to be received are summarized as follows:

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 2,413,667	¥ 3,657,829	\$ 30,327
Due over one year	21,199,677	31,055,536	257,487
Total	¥ 23,613,345	¥ 34,713,366	\$ 287,814

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of June 30, 2015 and December 31, 2015 scheduled to be paid are summarized as follows:

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 112,249	¥ 112,249	\$ 930
Due over one year	2,168,039	2,111,914	17,510
Total	¥ 2,280,288	¥ 2,224,164	\$ 18,440

14. 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, 2015 and December 31, 2015.

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, 2015 and December 31, 2015.

	As of								
	June 30, 2015			December 31, 2015			December 31, 2015		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
(in thousands of yen)						(in thousands of U.S. dollars)			
Assets:									
Current:									
(1) Cash and bank deposits	¥ 2,691,921	¥ 2,691,921	¥ -	¥ 7,885,398	¥ 7,885,398	¥ -	\$ 65,379	\$ 65,379	\$ -
(2) Cash and bank deposits in trust	4,822,622	4,822,622	-	5,933,582	5,933,582	-	49,196	49,196	-
Total assets	¥ 7,514,543	¥ 7,514,543	¥ -	¥ 13,818,981	¥ 13,818,981	¥ -	\$ 114,575	\$ 114,575	\$ -
Liabilities:									
(3) Short-term loans payable	-	-	-	1,080,000	1,080,000	-	8,954	8,954	-
(4) Current portion of long-term loans payable	62,341,000	62,341,000	-	-	-	-	-	-	-
(5) Current portion of long-term loans payable in trust	9,960,000	9,960,000	-	-	-	-	-	-	-
(6) Long-term loans payable	-	-	-	90,619,000	90,619,000	-	751,339	751,339	-
Total liabilities	¥ 72,301,000	¥ 72,301,000	¥ -	¥ 91,699,000	¥ 91,699,000	¥ -	\$ 760,293	\$ 760,293	\$ -

Notes

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

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

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

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

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

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

	As of		
	June 30, 2015	December 31, 2015	December 31, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits	¥ 28,663	¥ 28,663	\$ 237
Tenant leasehold and security deposits in trust	1,420,014	1,617,867	13,414

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

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of June 30, 2015:						
Cash and bank deposits	¥ 2,691,921	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	4,822,622	-	-	-	-	-
Total	¥ 7,514,543	¥ -	¥ -	¥ -	¥ -	¥ -
As of December 31, 2015:						
Cash and bank deposits	¥ 7,885,398	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	5,933,582	-	-	-	-	-
Total	¥ 13,818,981	¥ -	¥ -	¥ -	¥ -	¥ -
	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, 2015:						
Cash and bank deposits	\$ 65,379	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	49,196	-	-	-	-	-
Total	\$ 114,575	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
(in thousands of yen)						
As of June 30, 2015:						
Short-term loans payable	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term loans payable	62,341,000	-	-	-	-	-
Long-term loans payable	-	-	-	-	-	-
Current portion of long-term loans payable in trust	9,960,000	-	-	-	-	-
Total	¥ 72,301,000	¥ -	¥ -	¥ -	¥ -	¥ -
As of December 31, 2015:						
Short-term loans payable	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term loans payable	-	-	-	-	-	-
Long-term loans payable	-	-	28,979,000	32,661,000	28,979,000	-
Current portion of long-term loans payable in trust	-	-	-	-	-	-
Total	¥ -	¥ -	¥ 28,979,000	¥ 32,661,000	¥ 28,979,000	¥ -

	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, 2015:						
Short-term loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term loans payable	-	-	-	-	-	-
Long-term loans payable	-	-	240,270	270,798	240,270	-
Current portion of long-term loans payable in trust	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 240,270	\$ 270,798	\$ 240,270	\$ -

15. Segment Information

Segment information for the six months ended June 30, 2015 and December 31, 2015 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

(1) Revenues from Overseas Customers:

Disclosure is not required as revenues from external customers located in Japan are in excess of 90% of total revenues.

(2) 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

Information about major clients for the six-month periods ended June 30, 2015 and December 31, 2015 were as follows:

For the six months ended June 30, 2015

Name of client	Operating Revenues (in thousands of yen)	Related segment
Mystays Hotel Management Co., Ltd.	¥1,760,999	Real estate investing business

For the six months ended December 31, 2015

Name of client	Operating Revenues	Operating Revenues	Related segment
	(in thousands of yen)	(in thousands of U.S. dollars)	
Mystays Hotel Management Co.,Ltd.	¥3,125,985	\$25,918	Real estate investing business

16. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

For the six months ended June 30, 2015

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period		Balance at the end of period			
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts(1)		Balance sheet account	Amounts(1)	
									(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Interested party of the Asset Manager	Zephyrus TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	\$ -	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 2,792,000	\$ -	-	-	
	Nishi TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	\$ -	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 2,119,000	\$ -	-	-	
	Mystays Hotel Management, Co.Ltd(3)	Minato-ku Tokyo	Hotel management business	¥ 100	\$ -	-	Lesse holder and operator of hotel	Rental Revenues	¥ 1,760,999	\$ -	Rental receivables	¥ 501,272	

Notes:

- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- 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.
- The seller, Zephyrus TMK, Nishi TMK, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, but they receive investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Zephyrus TMK, Nishi TMK, and Mystays Hotel Management, Co. Ltd as a related party.
- Calliope holds 609,942 units (holding ratio: 22.85%) of the issued investment units of the Company.
- The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
D22	Hotel Nets Hakodate	Zephyrus TMK	2,792,000	22,801
D23	Flexstayinn Shirogane	Nishi TMK	2,119,000	17,305
Total			4,911,000	40,106

For the six months ended December 31, 2015

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period			Balance at the end of period		
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts(1)		Balance sheet account	Amounts(1)	
									(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Interested party of the Asset Manager	Sage TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 7,801,000	\$ 64,679	-	-	-

Nishi TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 14,405,000	\$ 119,434	-	-	-
Rannoch TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 5,707,000	\$ 47,317	-	-	-
Wakusei TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 2,198,000	\$ 18,224	-	-	-
Suisei TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 2,603,000	\$ 21,581	-	-	-
Aki TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 1,277,000	\$ 10,587	-	-	-
Zephyrus TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 1,237,000	\$ 10,256	-	-	-
GK Valletta(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥ 5,099,000	\$ 42,276	-	-	-
Mystays Hotel Management, Co.Ltd(3)	Minato-ku, Tokyo	Hotel management business	¥ 100	\$ 0	-	Lesse holder and operator of hotel	Rental Revenues	¥ 3,125,985	\$ 25,918	Rental receivables	¥ 920,391	\$ 7,631

Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- (2) Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- (3) The seller, Skye TMK, Nishi TMK, Rannoch TMK, Wakusei TMK, Suisei TMK, Aki TMK, Zephyrus TMK, GK Valletta and Mystays Hotel Management, Co. Ltd has no relationship to be stated, but they receive investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Skye TMK, Nishi TMK, Rannoch TMK, Wakusei TMK, Suisei TMK, Aki TMK, Zephyrus TMK, GK Valletta and Mystays Hotel Management, Co. Ltd as a related party.
- (4) Calliope holds 609,942 units (holding ratio: 19.09%) of the issued investment units of the Company.
- (5) The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
A100	City Court Kitaichijo	GK Valletta	1,782,000	14,774
A101	Lieto Court Mukojima	GK Valletta	1,683,000	13,954
A102	Lieto Court Nishi-Ojima	GK Valletta	1,634,000	13,547
D24	Hotel MyStays Haneeda	Skye TMK	7,801,000	64,679
D25	Hotel MyStays Kameido P1	Nishi TMK	5,594,000	46,380
D26	Hotel MyStays Ueno Iriyaguchi	Rannoch TMK	3,821,000	31,680
D27	Hotel MyStays Kameido P2	Nishi TMK	3,742,000	31,025
D28	Hotel Vista Shimizu	Wakusei TMK	2,198,000	18,224
D29	Super Hotel Shinbashi/Karasumoriguchi	Suisei TMK	1,624,000	13,464
D30	Flexstay Inn Higashi-Jujo	Aki TMK	1,277,000	10,587
D31	Hotel MyStays Utsunomiya	Zephyrus TMK	1,237,000	10,256
D32	Flexstay Inn Kawasaki-Kaizuka	Rannoch TMK	980,000	8,125
D33	Comfort Hotel Toyama	Suisei TMK	979,000	8,117
D34	Flexstay Inn Kawasaki-Ogawacho	Rannoch TMK	906,000	7,511
D35	Flexstay Inn Ekoda	Nishi TMK	5,069,000	42,028
		Total	40,327,000	334,358

(b) Board of Directors and Major Individual Unitholders

For the six months ended June 30, 2015

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period		Balance at the end of period	
				Type of transactions	Amounts (3) (in thousands of yen)	Balance sheet account	Amounts (3) (in thousands of yen)
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)	¥ 180,000	Accrued expenses	¥ 97,200
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	Accrued expenses	¥ 864

Notes:

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

For the six months ended December 31, 2015

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period			Balance at the end of period		
				Type of transactions	Amounts (3)		Balance sheet account	Amounts (3)	
					(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	—	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 180,000	\$ 1,492	Accrued expenses	¥ 97,200	\$ 805
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 1,100	\$ 9	Accrued expenses	¥ 864	\$ 7

Notes:

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

17. Per Unit Information

The following table shows net asset value per unit as of June 30, 2015 and December 31, 2015, and net income per unit for the six months then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Company has no potentially dilutive units.

	As of / For the six months ended		
	June 30, 2015	December 31, 2015	December 31, 2015
	(Yen)		(U.S. dollars)
Net asset value per unit	¥ 23,132	¥ 28,731	\$ 238
Net income per unit	860	937	7
Weighted average number of units	2,668,686	3,149,936	—

18. Subsequent Events

(a) Issuance of New Investment Units

The board of directors held on March 10, 2016 and March 23, 2016 respectively approved the issuance of new investment units and secondary distribution of investment units. Payment for the new investment units issued via public offering was completed on March 30, 2016. In addition, with respect to the issuance of new investment units through the third-party allotment in connection with the overallotment for the public offering, the payment date is April 27, 2016. In the case that the application and payment are completed for all allocated investment units through the third party allotment, holders' capital becomes JPY 118,588 million and the number of investment units issued and outstanding become 3,653,198 units.

(i) Issuance of new investment units through public offering

	: 459,512 units
(a) Number of investment units	Domestic public offering : 194,144 units International offering : 265,368 units
(b) Issue price (offer price)	: JPY 81,217 per unit
(c) Total issue price (total offer price)	JPY 37,320,186,104
(d) Amount paid in (issue value)	JPY 78,612 per unit
(e) Total amount paid in (total issue value)	JPY 36,123,157,344
(f) Payment date	March 30, 2016

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

(a) Number of investment units	: 22,976 units
(b) Offer price	: JPY 81,217 per unit
(c) Total offer value	JPY 1,866,041,792
(d) Delivery date	March 31, 2016

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

(a) Number of new investment units	: 22,976 units
(b) Amount paid in (issue value)	: JPY 78,612 per unit
(c) Total amount paid in (total issue value)	JPY 1,806,189,312
(d) Payment date	April 27, 2016
(e) Allotee	Mizuho Securities Co., Ltd.

(b) New borrowings

The Company borrowed a portion of the consideration on January 22, 2016 for the acquisition of 5 hotel properties and 1 residential property.

Term Loan (B)

(a) Lender	: Sumitomo Mitsui Trust Bank, Limited Mitsubishi UFJ Trust and Banking Corporation
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- (b) Borrowing amount : JPY 8,998million
- (c) Interest rate : One-month JPY TIBOR + spread (0.20, 0.40, 0.60 %)(Note)
- (d) Interest payment date : Last business day of each month from borrowing date through principal maturity date, with the first interest payment date set on February 29, 2016.
- (e) Method of principal repayment : To be repaid in full on the principal maturity date
- (f) Borrowing method : No secured / with no guarantee
- (g) Borrowing date : January 22, 2016
- (h) Principal maturity date : January 22, 2017, January 22, 2019, January 22, 2021

(Note) The interest rate applicable for the first interest calculation period only will be two-month JPY TIBOR (Base Rate) + spread (0.20, 0.40, 0.60 %).

Furthermore, the Company borrowed a portion of the consideration on March 31, 2016 for the acquisition of 4 hotel properties and 1 residential property.

New Syndicate Loan (F)

- (a) Lender : Mizuho Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Sumitomo Mitsui Trust Bank, Limited
Shinsei Bank, Limited
Resona Bank, Limited
Mitsubishi UFJ Trust and Banking Corporation
Development Bank of Japan Inc.
Fukuoka Bank, Limited
Shizuoka Bank, Limited
Nomura Trust Bank, Limited
- (b) Borrowing amount : JPY 34,418 million
- (c) Interest rate : One-month JPY TIBOR + spread (0.20, 0.40, 0.50, 0.60 %)
- (d) Interest payment date : Last business day of each month from borrowing date through principal maturity date, with the first interest payment date set on April 30, 2016.
- (e) Method of principal repayment : To be repaid in full on each principal maturity date
- (f) Borrowing method : No secured / with no guarantee
- (g) Borrowing date : March 31, 2016
- (h) Principal maturity date : March 30, 2017, March 30, 2019, March 30, 2020, March 30, 2021

(c) Acquisition of Assets

The Company decided to acquire 6 properties as shown in the following table, of which the total acquisition price is JPY 10,207 million, on January 20, 2016 and acquired the 6 properties on January 22, 2016.

The overview of the 6 properties is as follows,

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
Hotel	D38	Hotel MyStays Shinsaibashi	Osaka, Osaka	3,160	1,942.01 m ²	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D39	Comfort Hotel Kurosaki	Kitakyushu, Fukuoka	1,148	3,207.60 m ²	Navaro Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D40	Comfort Hotel Maebashi	Maebashi, Gunma	1,128	3,360.96 m ²	Navaro Tokutei Mokuteki Kaisha	Trust Beneficial Interest

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
	D41	Comfort Hotel Tsubamesanjo	Sanjo, Nigata	1,010	3,099.90 m ²	Navaro Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D42	Comfort Hotel Kitami	Kitami, Hokkaido	851	3,009.50 m ²	Navaro Tokutei Mokuteki Kaisha	Trust Beneficial Interest
Residential	A103	Royal Parks Momozaka	Osaka, Osaka	2,910	8,776.26 m ²	Momo Tokutei Mokuteki Kaisha	Trust Beneficial Interest
Total				10,207	23,396.23 m ²		

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

Furthermore, the Company decided to acquire 5 properties as shown in the following table, of which the total acquisition price is JPY 66,697 million, on March 10, 2016 and acquired the 5 properties on March 31, 2016.

The overview of the 5 properties is as follows,

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
Hotel	D43	Hotel Mystays Gotanda Station	Shinagawa-ku, Tokyo	24,674	8,752.42 m ²	Tsuki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	20,981	37,702.33 m ²	<ul style="list-style-type: none"> • Septentrio Tokutei Mokuteki Kaisha • Septentrio 2 Tokutei Mokuteki Kaisha • Septentrio 3 Tokutei Mokuteki Kaisha 	Trust Beneficial Interest
	D45	Hotel MyStays Fukuoka-Tenjin	Fukuoka, Fukuoka	8,059	5,083.06 m ²	Navaro Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D46	Hotel MyStays Hamamatsucho	Minato-ku, Tokyo	7,959	1,951.90 m ²	Navaro Tokutei Mokuteki Kaisha	Trust Beneficial Interest
Subtotal				61,673	53,489.71 m ²		
Residential	A104	Royal Parks Shinden	Adachi-ku, Tokyo	5,024	15,797.29 m ²	Momo Tokutei Mokuteki Kaisha	Trust Beneficial Interest
Subtotal				5,024	15,797.29 m ²		
Total				66,697	69,287.00 m ²		

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

(d) Interest Rate Swap Agreements

The company has executed the following interest rate swap agreements on March 4, 2016.

(i) Reason for Executing Interest Rate Swap Agreements

In order to hedge the risk of interest rate fluctuation

(ii) Details of the Interest Rate Swap Agreements

Counterparty	Notional Principal (JPY million)	Interest Rate (Upper: fixed rate payable) (Lower: floating rate receivable)	Agreement Date	Applicable Period	Interest Payment Date
Citigroup Global Markets Japan Inc.	28,979 (Note 1)	0.375%	March 4, 2016	From March 8, 2016 to July 16, 2018	The last Japanese business day of each month and the last day of the agreement period
		One-month JPY TIBOR+0.40%			
Citigroup Global Markets Japan Inc.	28,979 (Note 1)	0.480%	March 4, 2016	From March 8, 2016 to July 16, 2019	The last Japanese business day of each month and the last day of the agreement period
		One-month JPY TIBOR+0.50%			
Citigroup Global Markets Japan Inc.	28,979 (Note 1)	0.590%	March 4, 2016	From March 8, 2016 to July 16, 2020	The last Japanese business day of each month and the last day of the agreement period
		One-month JPY TIBOR+0.60%			
Citigroup Global Markets Japan Inc.	3,682 (Note 2)	0.480%	March 4, 2016	From March 8, 2016 to August 28, 2019	The last Japanese business day of each month and the last day of the agreement period
		One-month JPY TIBOR+0.50%			
Nomura Securities Co., Ltd	4,250 (Note 3)	0.343%	March 4, 2016	From March 8, 2016 to January 22, 2019	The last Japanese business day of each month and the last day of the agreement period
		One-month JPY TIBOR+0.40%			
Citigroup Global Markets Japan Inc.	4,250 (Note 3)	0.600%	March 4, 2016	From March 8, 2016 to January 22, 2021	The last Japanese business day of each month and the last day of the agreement period
		One-month JPY TIBOR+0.60%			

(Note 1) Corresponding to New Syndicate Loan (E)

(Note 2) Corresponding to Term Loan (A)

(Note 3) Corresponding to Term Loan (B)

(Note 4) The initial interest calculation period is from February 29, 2016 (inclusive of the date) to March 31, 2016 (one day prior), and the interest calculation period thereafter will be from the immediately preceding interest payment date (inclusive of the date) to the interest payment date (one day prior).

19. Other Notes

In the calculation of Appropriation of Retained Earnings, we booked JPY 708 thousands as a 'reserve for temporary difference adjustment' which is reserved for the negative goodwill that was incurred in a prior period.

All 'reserve for temporary difference adjustment' are going to be utilized in following fiscal period.