

Invincible Investment
Corporation

**Audited Financial Statements
for the 31th Fiscal Period
(from July 1, 2018 to December 31, 2018)**

INDEX TO FINANCIAL STATEMENTS

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

We would like to take this opportunity to express our sincere gratitude to all unitholders of Invincible Investment Corporation (“INV”) for your continued support.

We hereby provide you with a report on INV’s asset management and financial results for the 31st fiscal period (covering the period from July 1, 2018 to December 31, 2018; the “Reporting Period”).

INV positions hotels and residential properties as its core assets and conducts management activities to maximize growth potential and stability of the portfolio.

During the Reporting Period, INV conducted a global public offering of new investment units for the fifth consecutive year to acquire four hotels in Tokyo, Osaka and Sapporo, including two hotels under the Hotel MyStays “Premier” brand, and acquired the TK interest in two overseas hotels (Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) as underlying assets, becoming the first J-REIT to do so. As a result, the number of portfolio properties as of the end of the Reporting Period reached 132 with a total acquisition price of JPY 448,362 million, of which hotel assets account for approximately 80% (1). With regard to the hotel sector, the number of inbound visitors reached a new high of 31,191,000 (up 8.7% from the previous year) in 2018, steadily increasing towards the government targets of 40 million in 2020 and 60 million in 2030. In the Reporting Period, although hotel demand temporarily dropped due to the natural disasters in Western Japan and Hokkaido, INV was able to reach its hotel revenue target with the expansion of hotel demand mainly from the aforementioned inbound visitors as well as the positive effect of INV’s portfolio diversification and other factors.

With the Rugby World Cup scheduled in 2019 and Tokyo Olympic and Paralympic Games in 2020, Japan expects to see a further increase in the number of inbound visitors from the next fiscal period onward as a result of increasing international recognition of the country. Therefore, continuous growth of the hotel market and a better supply-demand situation can be expected.

Regarding residential properties, the rent increase program that has been implemented by INV resulted in an increase in rent per tsubo for both new and renewal contracts, achieving an increase in revenues compared with the previous year and versus the budget.

As a result of the initiatives and factors mentioned above, operating revenues reached JPY 14,451 million, operating income JPY 9,514 million, and net income JPY 8,384 million. INV decided on a distribution per unit of JPY 1,683, an increase of 7.6% year on year (2).

Ever since the commencement of sponsorship from the Fortress Group in 2011, INV has been focusing its efforts on establishing and strengthening a revenue base in order to improve the profitability of its portfolio and ensure stable distributions. Particularly during the three public offerings conducted in the past two years, INV has worked to enhance portfolio quality and increase distributions under the strong support of the sponsor, by acquiring prime properties including flagship hotels and residential properties from the sponsor pipeline and such. Such efforts have resulted in a steady increase of distribution per unit, and the full year distribution per unit for 2018 increased around eightfold compared to that for 2011.

Furthermore, INV established a medium-term plan “Vision 2022” in the Reporting Period and set the target of raising distribution per unit to JPY 3,700 by 2022 (3). INV will continue to implement its basic policy to “increase distribution per unit” to achieve such target, and will ensure the implementation of measures to maximize unitholder value.

Your continued support is highly appreciated.

Naoto Ichiki
Chairman and Director, Consonant Investment Management Co., Ltd.

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

- (1) For details, please refer to notes on pages 10 and 11.
- (2) Comparison with the fiscal period ended December 2017. In order to eliminate the seasonal effects of hotel variable rent, which is one of the major revenues of INV, in the comparison, the comparison is made with the same period in the previous year and not with the previous fiscal period (ended June 2018).
- (3) This is a target based on various assumptions and conditions, and there is no guarantee that INV can achieve this target in 2022 or later.

| |
|---|
| Distribution per unit for the 31st fiscal period (the fiscal period ended December 2018) |
|---|

| |
|-----------|
| JPY 1,683 |
|-----------|

(Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of February 28, 2019. 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.



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Independent Auditor's Report

The Board of Directors
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at December 31, 2018, 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, 2018, and its financial performance and cash flows for the six months 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 3.

Ernst & Young ShinNihon LLC

March 26, 2019
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET
As of December 31, 2018

| | As of | | |
|---|-----------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| ASSETS | | | |
| Current assets: | | | |
| Cash and bank deposits (Notes 6 and 17) | ¥ 8,505,792 | ¥ 3,985,335 | \$ 35,903 |
| Cash and bank deposits in trust (Notes 6 and 17) | 6,566,761 | 7,079,268 | 63,777 |
| Accounts receivable | 6,483 | 583,012 | 5,252 |
| Rental receivables | 1,826,596 | 2,591,368 | 23,345 |
| Prepaid expenses | 428,536 | 539,442 | 4,859 |
| Income taxes receivable | 149,632 | 172,912 | 1,557 |
| Consumption taxes receivable | - | 434,326 | 3,912 |
| Other | 0 | 0 | 0 |
| Allowance for doubtful accounts | (89) | (86) | 0 |
| Total current assets | 17,483,714 | 15,385,582 | 138,608 |
| Non-current assets: | | | |
| Property and equipment (Notes 7 and 8): | | | |
| Tools, furniture and fixtures, at cost | 3,192 | 3,192 | 28 |
| Buildings in trust, at cost | 133,579,099 | 144,380,745 | 1,300,727 |
| Buildings and accompanying facilities in trust, at cost | 28,918,145 | 32,567,092 | 293,397 |
| Structures in trust, at cost | 225,353 | 228,964 | 2,062 |
| Tools, furniture and fixtures in trust, at cost | 1,395,339 | 1,690,363 | 15,228 |
| Land in trust | 173,298,062 | 203,881,464 | 1,836,769 |
| Subtotal | 337,419,193 | 382,751,823 | 3,448,214 |
| Less: Accumulated depreciation | (17,196,907) | (20,117,593) | (181,239) |
| Total property and equipment, net | 320,222,285 | 362,634,229 | 3,266,975 |
| Intangible assets: | | | |
| Leasehold rights in trust | 16,712,637 | 20,015,700 | 180,321 |
| Total intangible assets | 16,712,637 | 20,015,700 | 180,321 |
| Investments and other assets: | | | |
| Investment securities (Note 18 and 22) | 17,856,387 | 54,640,213 | 492,254 |
| Guarantee deposits | 1,681,565 | 1,700,670 | 15,321 |
| Long-term prepaid expenses | 426,222 | 708,191 | 6,380 |
| Derivatives assets (Note 19) | 92,561 | 216,555 | 1,950 |
| Other | 12,667 | 22,667 | 204 |
| Total investments and other assets | 20,069,404 | 57,288,298 | 516,110 |
| Total non-current assets | 357,004,327 | 439,938,228 | 3,963,407 |
| Deferred assets: | | | |
| Investment corporation bond issuance costs | 24,295 | 38,985 | 351 |
| Total deferred assets | 24,295 | 38,985 | 351 |
| TOTAL ASSETS | ¥ 374,512,988 | ¥ 455,362,796 | \$ 4,102,367 |

| | As of | | |
|--|-----------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | ¥ 598,870 | ¥ 431,891 | \$ 3,890 |
| Short-term loans payable (Note 10) | 2,000,000 | 1,099,000 | 9,900 |
| Current portion of long-term loans payable (Note 10) | 46,663,000 | 54,745,000 | 493,198 |
| Accounts payable-other | 131,783 | 651,992 | 5,873 |
| Accrued expenses | 195,481 | 200,203 | 1,803 |
| Income taxes payable | 605 | 605 | 5 |
| Consumption taxes payable | 14,902 | - | - |
| Advances received | 551,506 | 571,668 | 5,150 |
| Deposits received | 21,697 | 134,085 | 1,207 |
| Total current liabilities | 50,177,846 | 57,834,445 | 521,031 |
| Non-current liabilities: | | | |
| Investment corporation bonds (Note 9) | 2,000,000 | 4,000,000 | 36,036 |
| Long-term loans payable (Notes 10 and 17) | 138,752,000 | 170,029,000 | 1,531,792 |
| Tenant leasehold and security deposits in trust (Note 17) | 2,026,400 | 2,009,816 | 18,106 |
| Tenant leasehold and security deposits (Note 17) | 1,586 | 92,525 | 833 |
| Asset retirement obligations (Note 20) | 31,891 | 32,107 | 289 |
| Total non-current liabilities | 142,811,878 | 176,163,449 | 1,587,058 |
| TOTAL LIABILITIES | 192,989,724 | 233,997,895 | 2,108,089 |
| NET ASSETS (Note 11) | | | |
| Unitholders' equity: | | | |
| Unitholders' capital | 168,798,455 | 211,092,540 | 1,901,734 |
| Surplus: | | | |
| Capital surplus | 6,264,432 | 6,264,432 | 56,436 |
| Allowance for temporary differences | | | |
| Adjustment (Note 4) | (46,329) | (46,329) | (417) |
| Other deduction of capital surplus | (1,194,818) | (5,194,798) | (46,799) |
| Total deduction of capital surplus | (1,241,148) | (5,241,128) | (47,217) |
| Capital surplus (net) | 5,023,283 | 1,023,303 | 9,218 |
| Voluntary reserve | | | |
| Retained earnings | 7,610,548 | 9,140,372 | 82,345 |
| Total surplus | 12,633,832 | 10,163,675 | 91,564 |
| Total unitholders' equity | 181,432,288 | 221,256,215 | 1,993,299 |
| Valuation and translation adjustments: | | | |
| Deferred gains or losses on hedges | 90,975 | 108,684 | 979 |
| Total valuation and translation adjustments | 90,975 | 108,684 | 979 |
| TOTAL NET ASSETS | 181,523,263 | 221,364,900 | 1,994,278 |
| TOTAL LIABILITIES AND NET ASSETS | ¥ 374,512,988 | ¥ 455,362,796 | \$ 4,102,367 |

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, 2018

| | For the six months ended | | |
|--|--------------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Operating revenue | | | |
| Rental revenue—real estate (Note 13) | ¥ 11,122,481 | ¥ 13,604,224 | \$ 122,560 |
| Gain on sales of properties (Note 14) | 1,249,645 | - | - |
| Dividend income | 732,714 | 846,780 | 7,628 |
| Total operating revenue | <u>13,104,714</u> | <u>14,451,005</u> | <u>130,189</u> |
| Operating expenses | | | |
| Property related expenses (Note 13) | 4,136,619 | 4,450,676 | 40,096 |
| Asset management fees | 275,000 | 275,000 | 2,477 |
| Directors' compensation | 4,800 | 5,200 | 46 |
| Asset custody fees | 18,162 | 18,645 | 167 |
| Administrative service fees | 39,697 | 52,607 | 473 |
| Provision of allowance for doubtful accounts | 2 | 86 | 0 |
| Other | 197,039 | 134,032 | 1,207 |
| Total operating expenses | <u>4,671,320</u> | <u>4,936,248</u> | <u>44,470</u> |
| Operating income | <u>8,433,520</u> | <u>9,514,756</u> | <u>85,718</u> |
| Non-operating income | | | |
| Interest income | 78 | 82 | 0 |
| Foreign exchange gains | - | 34,468 | 310 |
| Interest on tax refund | 3,086 | 72 | 0 |
| Other | 1,181 | 906 | 8 |
| Total non-operating income | <u>4,347</u> | <u>35,528</u> | <u>320</u> |
| Non-operating expenses | | | |
| Interest expenses | 479,456 | 555,811 | 5,007 |
| Interest expenses on investment corporation bonds | 1,216 | 8,490 | 76 |
| Amortization of investment corporation bond issuance costs | 379 | 2,625 | 23 |
| Loan-related costs | 234,197 | 407,683 | 3,672 |
| Investment unit issuance costs | - | 186,997 | 1,684 |
| Other-non-operating expenses | 64 | 3,999 | 36 |
| Total non-operating expenses | <u>715,314</u> | <u>1,165,608</u> | <u>10,500</u> |
| Ordinary income | <u>7,722,553</u> | <u>8,384,676</u> | <u>75,537</u> |
| Income before income taxes | <u>7,722,553</u> | <u>8,384,676</u> | <u>75,537</u> |
| Income taxes (Note 15): | | | |
| Current | 605 | 605 | 5 |
| Total income taxes | <u>605</u> | <u>605</u> | <u>5</u> |
| Net income | <u>7,721,948</u> | <u>8,384,071</u> | <u>75,532</u> |
| Retained earnings / losses brought forward | <u>(111,399)</u> | <u>756,300</u> | <u>6,813</u> |
| Unappropriated retained earnings / losses (Note 12) | <u>¥ 7,610,548</u> | <u>¥ 9,140,372</u> | <u>\$ 82,345</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, 2018

| | Unitholders' equity | | | | | |
|--|----------------------|-----------------|--|------------------------------------|------------------------------|-----------------------|
| | Surplus | | | | | |
| | Unitholders' capital | Capital surplus | | | | |
| | | Capital surplus | Deduction of capital surplus | | | Capital surplus (net) |
| | | | Allowance for temporary differences adjustment | Other deduction of capital surplus | Deduction of capital surplus | |
| (in thousands of yen) | | | | | | |
| Balance as of January 1, 2018 | ¥ 168,798,455 | ¥ 6,264,432 | ¥ (46,329) | ¥ (1,022,263) | ¥ (1,068,593) | ¥ 5,195,838 |
| Changes during the period | | | | | | |
| Distributions from surplus | | | | | | |
| Other distributions in excess of retained earnings | | | | (172,554) | (172,554) | (172,554) |
| Net income | | | | | | |
| Changes other than unitholders' equity (net) | | | | | | |
| Total changes during the period | - | - | - | (172,554) | (172,554) | (172,554) |
| Balance as of June 30, 2018 | ¥ 168,798,455 | ¥ 6,264,432 | ¥ (46,329) | ¥ (1,194,818) | ¥ (1,241,148) | ¥ 5,023,283 |
| Changes during the period | | | | | | |
| Issuance of new investment units | 42,294,085 | | | | | |
| Distributions from surplus | | | | | | |
| Acquisition of own investment units | | | | | | |
| Cancellation of own investment units | | | | (3,999,980) | (3,999,980) | (3,999,980) |
| Net income | | | | | | |
| Changes other than unitholders' equity (net) | | | | | | |
| Total changes during the period | 42,294,085 | - | - | (3,999,980) | (3,999,980) | (3,999,980) |
| Balance as of December 31, 2018 | ¥ 211,092,540 | ¥ 6,264,432 | ¥ (46,329) | ¥ (5,194,798) | ¥ (5,241,128) | ¥ 1,023,303 |

| | Unitholders' equity | | | | Valuation and translation adjustments | | Total net assets |
|--|-----------------------|---------------|----------------------|---------------------------|---------------------------------------|---|------------------|
| | Surplus | | Own investment units | Total unitholders' equity | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| | Retained earnings | Total surplus | | | | | |
| | (in thousands of yen) | | | | | | |
| Balance as of January 1, 2018 | ¥ 7,212,580 | ¥ 12,408,419 | ¥ - | ¥ 181,206,874 | ¥ 113,592 | ¥ 113,592 | ¥ 181,320,466 |
| Changes during the period | | | | | | | |
| Distributions from surplus | (7,323,980) | (7,323,980) | | (7,323,980) | | | (7,323,980) |
| Other distributions in excess of retained earnings | | (172,554) | | (172,554) | | | (172,554) |
| Net income | 7,721,948 | 7,721,948 | | 7,721,948 | | | 7,721,948 |
| Changes other than unitholders' equity (net) | | | | | (22,616) | (22,616) | (22,616) |
| Total changes during the period | 397,968 | 225,413 | - | 225,413 | (22,616) | (22,616) | 202,796 |
| Balance as of June 30, 2018 | ¥ 7,610,548 | ¥ 12,633,832 | ¥ - | ¥ 181,432,288 | ¥ 90,975 | ¥ 90,975 | ¥ 181,523,263 |
| Changes during the period | | | | | | | |
| Issuance of new investment units | | | | 42,294,085 | | | 42,294,085 |
| Distributions from surplus | (6,854,248) | (6,854,248) | | (6,854,248) | | | (6,854,248) |
| Acquisition of own investment units | | | (3,999,980) | (3,999,980) | | | (3,999,980) |
| Cancellation of own investment units | | (3,999,980) | 3,999,980 | - | | | - |
| Net income | 8,384,071 | 8,384,071 | | 8,384,071 | | | 8,384,071 |
| Changes other than unitholders' equity (net) | | | | | 17,709 | 17,709 | 17,709 |
| Total changes during the period | 1,529,823 | (2,470,157) | - | 39,823,927 | 17,709 | 17,709 | 39,841,636 |
| Balance as of December 31, 2018 | ¥ 9,140,372 | ¥ 10,163,675 | ¥ - | ¥ 221,256,215 | ¥ 108,684 | ¥ 108,684 | ¥ 221,364,900 |

| | Unitholders' equity | | | | | Capital surplus (net) |
|--|------------------------------------|-----------------|------------------------------|-------------|------------------------------|-----------------------|
| | Unitholders' capital | Surplus | | | | |
| | | Capital surplus | | | | |
| | | Capital surplus | Deduction of capital surplus | | Deduction of capital surplus | |
| Allowance for temporary differences adjustment | Other deduction of capital surplus | | | | | |
| (in thousands of U.S dollars) | | | | | | |
| Balance as of July 1, 2018 | \$ 1,520,706 | \$ 56,436 | \$ (417) | \$ (10,764) | \$ (11,181) | \$ 45,254 |
| Changes during the period | | | | | | |
| Issuance of new investment units | 381,027 | | | | | |
| Distributions from surplus | | | | | | |
| Acquisition of own investment units | | | | | | |
| Cancellation of own investment units | | | | (36,035) | (36,035) | (36,035) |
| Net income | | | | | | |
| Changes other than unitholders' equity (net) | | | | | | |
| Total changes during the period | 381,027 | - | - | (36,035) | (36,035) | (36,035) |
| Balance as of December 31, 2018 | \$ 1,901,734 | \$ 56,436 | \$ (417) | \$ (46,799) | \$ (47,217) | \$ 9,218 |

| | Unitholders' equity | | | | Valuation and translation adjustments | | Total net assets |
|--|-------------------------------|---------------|----------------------|---------------------------|---------------------------------------|---|------------------|
| | Surplus | | Own investment units | Total unitholders' equity | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| | Retained earnings | Total surplus | | | | | |
| | (in thousands of U.S dollars) | | | | | | |
| Balance as of July 1, 2018 | \$ 68,563 | \$ 113,818 | \$ - | \$ 1,634,525 | \$ 819 | \$ 819 | \$ 1,635,344 |
| Changes during the period | | | | | | | |
| Issuance of new investment units | | | | 381,027 | | | 381,027 |
| Distributions from surplus | (61,749) | (61,749) | | (61,749) | | | (61,749) |
| Acquisition of own investment units | | | (36,035) | (36,035) | | | (36,035) |
| Cancellation of own investment units | | (36,035) | 36,035 | - | | | - |
| Net income | 75,532 | 75,532 | | 75,532 | | | 75,532 |
| Changes other than unitholders' equity (net) | | | | | 159 | 159 | 159 |
| Total changes during the period | 13,782 | (22,253) | - | 358,774 | 159 | 159 | 358,933 |
| Balance as of December 31, 2018 | \$ 82,345 | \$ 91,564 | \$ - | \$ 1,993,299 | \$ 979 | \$ 979 | \$ 1,994,278 |

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, 2018

| | For the six months ended | | |
|--|--------------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Cash flows from operating activities: | | | |
| Income before income taxes | ¥ 7,722,553 | ¥ 8,384,676 | \$ 75,537 |
| Depreciation and amortization | 2,772,510 | 3,039,033 | 27,378 |
| Investment unit issuance costs | - | 186,997 | 1,684 |
| Amortization of investment corporation bond issuance costs | 379 | 2,625 | 23 |
| Loan-related costs | 234,197 | 407,683 | 3,672 |
| Interest income | (78) | (82) | 0 |
| Interest expenses | 480,672 | 564,302 | 5,083 |
| Changes in assets and liabilities | | | |
| Foreign exchange losses (gains) | - | (7,261) | (65) |
| Increase (decrease) in allowance for doubtful accounts | 0 | (3) | 0 |
| Decrease (increase) in rental receivables | 158,132 | (764,772) | (6,889) |
| Decrease (increase) in receivable income taxes | (149,624) | (23,292) | (209) |
| Decrease (increase) in consumption taxes receivable | 661,287 | (434,326) | (3,912) |
| Increase (decrease) in accounts payable | 39,752 | (32,970) | (297) |
| Increase (decrease) in consumption taxes payable | (32,819) | (14,902) | (134) |
| Increase (decrease) in accounts payable-other | 49,627 | (49,755) | (448) |
| Increase (decrease) in accrued expenses | (75,177) | (2,611) | (23) |
| Increase (decrease) in advances received | (49,246) | 20,161 | 181 |
| Increase (decrease) in deposits received | (47,348) | (75,818) | (683) |
| Decrease in property and equipment, due to sale in trust | 9,181,866 | - | - |
| Other, net | 20,177 | 9,283 | 83 |
| Subtotal | 20,966,865 | 11,208,966 | 100,981 |
| Interest income received | 78 | 82 | 0 |
| Interest expenses paid | (483,261) | (553,985) | (4,990) |
| Income taxes paid | (605) | (605) | (5) |
| Net cash provided by operating activities | 20,483,077 | 10,654,458 | 95,986 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment in trust | (20,847,991) | (45,485,560) | (409,779) |
| Purchases of leasehold rights in trust | - | (3,421,194) | (30,821) |
| Purchases of investment securities | (1,927) | - | - |
| Repayments of tenant leasehold and security deposits in trust | (320,542) | (64,862) | (584) |
| Proceeds from tenant leasehold and security deposits in trust | 132,593 | 49,032 | 441 |
| Payments of tenant leasehold and security deposits | (30,000) | (19,105) | (172) |
| Payments of TK investment | - | (37,534,886) | (338,152) |
| Proceeds from withdrawal of TK investment | - | 751,060 | 6,766 |
| Other, net | 47,201 | (12,784) | (115) |
| Net cash used in investing activities | (21,020,665) | (85,738,300) | (772,417) |
| Cash flows from financing activities: | | | |
| Proceeds from short-term loans payable | - | 1,099,000 | 9,900 |
| Repayments of short-term loans payable | (1,068,000) | (2,000,000) | (18,018) |
| Proceeds from long-term loans payable | 1,500,000 | 68,338,000 | 615,657 |
| Repayments of long-term loans payable | - | (28,979,000) | (261,072) |
| Proceeds from issuance of investment corporation bonds | 1,977,436 | 1,980,352 | 17,841 |
| Payments for loan-related costs | (40,494) | (804,736) | (7,249) |
| Payments for Acquisition of Own investment units | - | (3,999,980) | (36,035) |
| Payments of distributions of earnings | (7,280,040) | (6,664,830) | (60,043) |
| Payments of other distributions in excess of retained earnings | (172,554) | - | - |
| Proceeds from issuance of investment units | - | 42,107,087 | 379,343 |
| Net cash provided by (used in) financing activities | (5,083,652) | 71,075,892 | 640,323 |
| Net increase (decrease) in cash and cash equivalents | (5,621,240) | (4,007,949) | (36,107) |
| Cash and cash equivalents at beginning of period | 20,693,794 | 15,072,553 | 135,788 |
| Cash and cash equivalents at end of period (Note 6) | ¥ 15,072,553 | ¥ 11,064,604 | \$ 99,681 |

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, 2018

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 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 25,000 investment 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.

On March 30, 2016, the Company completed its sixth public offering totaling 459,512 new investment units at a price ¥81,217 per unit. 194,144 of such units were issued in connection with a Domestic Public Offering, and the remaining 265,368 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On April 27, 2016, the Company issued 22,626 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥37.9 billion were used to repay the Company’s outstanding long term borrowing and in connection with the acquisition of 6 properties during this fiscal period.

On March 13, 2017, the Company completed its seventh public offering totaling 185,000 new investment units at a price ¥46,897 per unit in connection with Japanese Primary Offering.

On October 12, 2017, the Company completed its eighth public offering totaling 887,959 new investment units at a price ¥44,118 per unit. 515,017 of such units were issued in connection with a Domestic Public Offering, and the remaining 372,942 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On November 1, 2017, the Company issued 44,398 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥39.8 billion were used to repay the Company's outstanding long term borrowing and in connection with the acquisition of 4 properties and 1 preferred security during this fiscal period.

On August 1, 2018, the Company completed its ninth public offering totaling 909,524 new investment units at a price ¥45,776 per unit. 432,024 of such units were issued in connection with a Domestic Public Offering, and the remaining 477,500 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On August 21, 2018, the Company issued 45,476 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥42.2 billion were used to repay the Company's outstanding long term borrowing and in connection with the acquisition of 4 properties and 1 TK investment 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) Valuation standard and method for securities

Other securities without fair market value are recorded at cost being determined by the moving average method.

(d) 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:

| | <u>For the six months ended</u> |
|--|---------------------------------|
| | <u>December 31, 2018</u> |
| Tools, furniture and fixtures..... | 4-8 |
| Buildings in trust | 5-67 |
| Buildings and accompanying facilities in trust | 2-33 |
| Structures in trust | 3-55 |
| Tools, furniture and fixtures in trust | 2-19 |

(e) Intangible Assets

Intangible assets are amortized on a straight-line basis. Amortization of a term leasehold interest for business use is calculated by the straight-line method over the lease term.

(f) Long-term Prepaid Expenses

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

(g) Investment Unit Issuance Costs

Investment unit issuance costs are recorded as expenses when incurred.

(h) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized using the straight-line method over the period through the redemption of the bonds.

(i) Allowance for Doubtful Accounts

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

(j) Conversion of assets and liabilities in foreign currency into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rate in effect at the balance sheet date, and differences arising from the translation are included in the statements of income.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

Tax on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥54,754 (US\$493) thousand for the six months ended December 31, 2018.

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 ¥111 = US\$1, the effective rate of exchange prevailing at December 31, 2018. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended December 31, 2018 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. Allowance for temporary differences adjustment

For the six months ended June 30, 2018

On the Balance Sheet, there are the increase and decrease of allowance for temporary differences adjustment.

1. Reason, related assets and amounts

(in thousands of yen)

| Related assets, etc. | Reason for occurrence | Initial amount | Beginning balance | Allowance set aside during period | Reversal during period | Ending balance | Reason for reversal |
|---------------------------|---|----------------|-------------------|-----------------------------------|------------------------|----------------|---------------------|
| Leasehold rights in trust | Amortization of leasehold rights in trust | ¥ (46,329) | ¥ (46,329) | - | - | ¥ (46,329) | - |
| Total | | ¥ (46,329) | ¥ (46,329) | - | - | ¥ (46,329) | |

2. Method of reversal

(1) Leasehold rights in trust

Upon the sale of the relevant properties, the corresponding amount is scheduled to be reversed.

For the six months ended December 31, 2018

On the Balance Sheet, there are the increase and decrease of allowance for temporary differences adjustment.

1. Reason, related assets and amounts

(in thousands of yen)

| Related assets, etc. | Reason for occurrence | Initial amount | Beginning balance | Allowance set aside during period | Reversal during period | Ending balance | Reason for reversal |
|---------------------------|---|----------------|-------------------|-----------------------------------|------------------------|----------------|---------------------|
| Leasehold rights in trust | Amortization of leasehold rights in trust | ¥ (46,329) | ¥ (46,329) | - | - | ¥ (46,329) | - |

| | | | | | | | |
|-------|--|------------|------------|---|---|------------|--|
| Total | | ¥ (46,329) | ¥ (46,329) | - | - | ¥ (46,329) | |
|-------|--|------------|------------|---|---|------------|--|

(in thousands of U.S dollars)

| Related assets, etc. | Reason for occurrence | Initial amount | Beginning balance | Allowance set aside during period | Reversal during period | Ending balance | Reason for reversal |
|---------------------------|---|----------------|-------------------|-----------------------------------|------------------------|----------------|---------------------|
| Leasehold rights in trust | Amortization of leasehold rights in trust | \$ (417) | \$ (417) | - | - | \$ (417) | - |
| Total | | \$ (417) | \$ (417) | - | - | \$ (417) | |

2. Method of reversal

(1) Leasehold rights in trust

Upon the sale of the relevant properties, the corresponding amount is scheduled to be reversed.

5. Status of cancellation of own investment units

| | As of | | |
|--|-----------------------|-------------------|--------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Total number of investment units cancelled | - | 81,341 | - |
| Total amount cancelled | ¥ - | ¥ 3,999,980 | \$ 36,035 |

6. 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, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Cash and bank deposits | ¥ 8,505,792 | ¥ 3,985,335 | \$ 35,903 |
| Cash and bank deposits in trust | 6,566,761 | 7,079,268 | 63,777 |
| Cash and cash equivalents | ¥ 15,702,553 | ¥ 11,064,604 | \$ 99,681 |

7. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended December 31, 2018.

| | At cost | | | | | | |
|--|-----------------------|------------|----------|----------------|--------------------------|-----------------------------|----------------------------|
| | Beginning balance | Increase | Decrease | Ending balance | Accumulated depreciation | Depreciation for the period | Net property and equipment |
| | (in thousands of yen) | | | | | | |
| Tools, furniture and fixtures | ¥ 3,192 | ¥ - | ¥ - | ¥ 3,192 | ¥ 669 | ¥ 225 | ¥ 2,522 |
| Buildings in trust | 133,579,099 | 10,801,646 | - | 144,380,745 | 12,260,835 | 1,781,308 | 132,119,910 |
| Buildings and accompanying facilities in trust | 28,918,145 | 3,648,947 | - | 32,567,092 | 7,258,920 | 1,021,068 | 25,308,172 |
| Structures in trust | 225,353 | 3,611 | - | 228,964 | 92,586 | 6,087 | 136,377 |
| Tools, furniture and fixtures in trust | 1,395,339 | 295,023 | - | 1,690,363 | 504,581 | 112,211 | 1,185,781 |

| | | | | | | | |
|---------------------------------|---------------|--------------|-----|---------------|--------------|-------------|---------------|
| Land in trust | 173,298,062 | 30,583,402 | - | 203,881,464 | - | - | 203,881,464 |
| Leasehold rights in trust | 17,079,771 | 3,421,194 | - | 20,500,965 | 485,264 | 118,131 | 20,015,700 |
| Total | ¥ 354,489,964 | ¥ 48,753,824 | ¥ - | ¥ 403,252,788 | ¥ 20,602,858 | ¥ 3,039,033 | ¥ 382,649,930 |

| | At cost | | | | | | |
|--|--------------------------------|------------|----------|----------------|--------------------------|-----------------------------|----------------------------|
| | Beginning balance | Increase | Decrease | Ending balance | Accumulated depreciation | Depreciation for the period | Net property and equipment |
| | (in thousands of U.S. dollars) | | | | | | |
| Tools, furniture and fixtures | \$ 28 | \$ - | \$ - | \$ 28 | \$ 6 | \$ 2 | \$ 22 |
| Buildings in trust | 1,203,415 | 97,312 | - | 1,300,727 | 110,457 | 16,047 | 1,190,269 |
| Buildings and accompanying facilities in trust | 260,523 | 32,873 | - | 293,397 | 65,395 | 9,198 | 228,001 |
| Structures in trust | 2,030 | 32 | - | 2,062 | 834 | 54 | 1,228 |
| Tools, furniture and fixtures in trust | 12,570 | 2,657 | - | 15,228 | 4,545 | 1,010 | 10,682 |
| Land in trust | 1,561,243 | 275,526 | - | 1,836,769 | - | - | 1,836,769 |
| Leasehold rights in trust | 153,871 | 30,821 | - | 184,693 | 4,371 | 1,064 | 180,321 |
| Total | \$ 3,193,684 | \$ 439,223 | \$ - | \$ 3,632,908 | \$ 185,611 | \$ 27,378 | \$ 3,447,296 |

Increases in the net book values are mainly due to the acquisition of 4 properties(¥47,747,000thousand) as shown below and capitalized expenditures.

| Property No. | Property name | Acquisition cost (in thousands of yen) | Acquisition cost (in thousands of U.S. dollars) |
|--------------|------------------------------------|---|--|
| D60 | Hotel MyStays Premier Akasaka | 20,691,000 | 186,405 |
| D61 | Hotel MyStays Premier Sapporo Park | 16,731,000 | 150,729 |
| D62 | Hotel MyStays Ueno East | 5,286,000 | 47,621 |
| D63 | Hotel MyStays Midosuji Horomachi | 5,039,000 | 45,396 |
| | Total | 47,747,000 | 430,153 |

8. 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, 2018 and December 31, 2018.

Residential

| | As of / For the six months ended | | |
|---|----------------------------------|----------------------|--------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Net book value | | | |
| Balance at the beginning of period | ¥ 89,949,664 | ¥ 86,569,109 | \$ 779,901 |
| Net increase (decrease) during period | (3,380,554) | (660,828) | (5,953) |
| Balance at the end of period | 86,569,109 | 85,908,280 | 773,948 |
| Fair value | ¥ 100,387,000 | ¥ 102,440,000 | \$ 919,315 |

Office

| | As of / For the six months ended | | |
|---|----------------------------------|----------------------|--------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Net book value | | | |
| Balance at the beginning of period | ¥ 6,474,931 | ¥ - | \$ - |
| Net increase (decrease) during period | (6,474,931) | - | - |
| Balance at the end of period | - | - | - |
| Fair value | ¥ - | ¥ - | \$ - |

Retail facilities

| As of / For the six months ended | | |
|----------------------------------|--------------|--------------|
| June 30, | December 31, | December 31, |

| | 2018 | 2018 | 2018 |
|---------------------------------------|-----------------------|-------------|--------------------------------|
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Net book value | | | |
| Balance at the beginning of period | ¥ 4,957,292 | ¥ 4,912,468 | \$ 44,256 |
| Net increase (decrease) during period | (44,824) | (45,728) | (411) |
| Balance at the end of period | 4,912,468 | 4,866,739 | 43,844 |
| Fair value | ¥ 6,170,000 | ¥ 6,170,000 | \$ 55,585 |

Hotel

| | As of / For the six months ended | | |
|---------------------------------------|----------------------------------|----------------------|--------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Net book value | | | |
| Balance at the beginning of period | ¥ 226,328,017 | ¥ 245,453,345 | \$ 2,211,291 |
| Net increase (decrease) during period | 19,125,328 | 46,421,563 | 418,212 |
| Balance at the end of period | 245,453,345 | 291,874,909 | 2,629,503 |
| Fair value | ¥ 304,985,000 | ¥ 354,366,000 | \$ 3,192,486 |

Total

| | As of / For the six months ended | | |
|---------------------------------------|----------------------------------|----------------------|--------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Net book value | | | |
| Balance at the beginning of period | ¥ 327,709,905 | ¥ 336,934,923 | \$ 3,035,449 |
| Net increase (decrease) during period | 9,225,018 | 45,715,006 | 411,846 |
| Balance at the end of period | 336,934,923 | 382,649,930 | 3,447,296 |
| Fair value | ¥ 411,542,000 | ¥ 462,580,000 | \$ 4,167,387 |

Notes:

1. Fair value has been determined based on the appraisals or research provided by independent real estate appraisers.
2. For rental revenues and expenses for the six months ended June 30, 2018 and December 31, 2018, please refer to "Note 13: Rent Revenues—Real Estate and Expenses Related to Property Rental Business"

9. Investment corporation bonds

The following table shows the details of investment corporation bonds for the six months ended December 31, 2018.

For the six months ended December 31, 2018

| | Beginning balance | Ending balance | Beginning balance | Ending balance | Interest rate (%) |
|---|-----------------------|-------------------|--------------------------------|-------------------|----------------------|
| | (in thousands of yen) | | (in thousands of U.S. dollars) | | |
| 1st unsecured investment corporation bond (Issued on May 25, 2018 and due on May 25, 2023)(1)(2) | 1,000,000 | 1,000,000 | 9,009 | 9,009 | 0.400 |
| 2nd unsecured investment corporation bond (Issued on May 25, 2018 and due on May 25, 2028) (1)(2) | 1,000,000 | 1,000,000 | 9,009 | 9,009 | 0.800 |
| 3rd unsecured investment corporation bond (Issued on October 12, 2018 and due on October 12, 2023) (1)(3) | - | 2,000,000 | - | 18,018 | 0.550 |
| Total investment corporation bonds | 2,000,000 | 4,000,000 | 18,018 | 36,036 | |

Notes:

- (1) The bonds were issued with pari passu conditions among specified investment corporation bonds.
- (2) The funds are mainly used to acquire properties in trust.

- (3) The funds are mainly used to repay existing borrowing.
(4) Repayment schedule of investment corporation bonds for the next five years after each balance sheet date are as follows:

| | As of | |
|---------------------|-----------------------|-----------------------------------|
| | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | (in thousands of U.S. dollars) |
| Within 1 year | ¥ - | \$ - |
| 1-2 years | - | - |
| 2-3 years | - | - |
| 3-4 years | - | - |
| 4-5 years | 3,000,000 | 27,027 |

10. Loans Payable

The following table shows the details of loans payable for the six months ended December 31, 2018.

For the six months ended December 31, 2018

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|--------------------------|-------------------------------------|-----------------------|-----------|-----------|----------------|--------------------------------|----------|----------|----------------|----------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Short-term loans payable | Mizuho Bank, Ltd. | 667,000 | - | 667,000 | - | 6,009 | - | 6,009 | - | 0.263 | 13-Oct-18 | (2) | Unsecured and unguaranteed |
| | Sumitomo Mitsui Trust Bank, Limited | 666,000 | - | 666,000 | - | 6,000 | - | 6,000 | - | 0.263 | 13-Oct-18 | | |
| | Sumitomo Mitsui Banking Corporation | 667,000 | - | 667,000 | - | 6,009 | - | 6,009 | - | 0.263 | 13-Oct-18 | | |
| | Mizuho Bank, Ltd. | - | 366,500 | - | 366,500 | - | 3,301 | - | 3,301 | 0.263 | 02-Aug-19 | (2) | Unsecured and unguaranteed |
| | Sumitomo Mitsui Banking Corporation | - | 366,500 | - | 366,500 | - | 3,301 | - | 3,301 | 0.263 | 02-Aug-19 | | |
| | MUFG Bank, Ltd. | - | 366,000 | - | 366,000 | - | 3,297 | - | 3,297 | 0.263 | 02-Aug-19 | | |
| | Total Short-term loans payable | 2,000,000 | 1,099,000 | 2,000,000 | 1,099,000 | 18,018 | 9,900 | 18,018 | 9,900 | | | | |
| Long-term loans payable | Mizuho Bank, Ltd. | 5,992,000 | - | 5,992,000 | - | 53,981 | - | 53,981 | - | 0.375 | 16-Jul-18 | (2) | Unsecured and unguaranteed |
| | MUFG Bank, Ltd. | 5,992,000 | - | 5,992,000 | - | 53,981 | - | 53,981 | - | 0.375 | 16-Jul-18 | | |
| | Sumitomo Mitsui Banking Corporation | 5,992,000 | - | 5,992,000 | - | 53,981 | - | 53,981 | - | 0.375 | 16-Jul-18 | | |
| | Shinsei Bank, Limited | 3,330,000 | - | 3,330,000 | - | 30,000 | - | 30,000 | - | 0.375 | 16-Jul-18 | | |
| | Citibank, N.A., Japan Branches | 3,000,000 | - | 3,000,000 | - | 27,027 | - | 27,027 | - | 0.375 | 16-Jul-18 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 2,670,000 | - | 2,670,000 | - | 24,054 | - | 24,054 | - | 0.375 | 16-Jul-18 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------------------|-------------------------------------|-----------------------|----------|-----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Resona Bank, Limited. | 1,335,000 | - | 1,335,000 | - | 12,027 | - | 12,027 | - | 0.375 | 16-Jul-18 | (2) | Unsecured and unguaranteed |
| | MUFG Bank, Ltd. | 668,000 | - | 668,000 | - | 6,018 | - | 6,018 | - | 0.375 | 16-Jul-18 | | |
| | Mizuho Bank, Ltd. | 5,992,000 | - | - | 5,992,000 | 53,981 | - | - | 53,981 | 0.480 | 16-Jul-19 | | |
| | MUFG Bank, Ltd. | 5,992,000 | - | - | 5,992,000 | 53,981 | - | - | 53,981 | 0.480 | 16-Jul-19 | | |
| | Sumitomo Mitsui Banking Corporation | 5,992,000 | - | - | 5,992,000 | 53,981 | - | - | 53,981 | 0.480 | 16-Jul-19 | | |
| | Shinsei Bank, Limited. | 3,330,000 | - | - | 3,330,000 | 30,000 | - | - | 30,000 | 0.480 | 16-Jul-19 | | |
| | Citibank, N.A., Japan Branches. | 3,000,000 | - | - | 3,000,000 | 27,027 | - | - | 27,027 | 0.480 | 16-Jul-19 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 2,670,000 | - | - | 2,670,000 | 24,054 | - | - | 24,054 | 0.480 | 16-Jul-19 | | |
| | Resona Bank, Limited. | 1,335,000 | - | - | 1,335,000 | 12,027 | - | - | 12,027 | 0.480 | 16-Jul-19 | | |
| | MUFG Bank, Ltd. | 668,000 | - | - | 668,000 | 6,018 | - | - | 6,018 | 0.480 | 16-Jul-19 | | |
| | Mizuho Bank, Ltd. | 5,992,000 | - | - | 5,992,000 | 53,981 | - | - | 53,981 | 0.590 | 16-Jul-20 | | |
| | MUFG Bank, Ltd. | 5,992,000 | - | - | 5,992,000 | 53,981 | - | - | 53,981 | 0.590 | 16-Jul-20 | | |
| | Sumitomo Mitsui Banking Corporation | 5,992,000 | - | - | 5,992,000 | 53,981 | - | - | 53,981 | 0.590 | 16-Jul-20 | | |
| | Shinsei Bank, Limited. | 3,330,000 | - | - | 3,330,000 | 30,000 | - | - | 30,000 | 0.590 | 16-Jul-20 | | |
| | Citibank, N.A., Japan Branches. | 3,000,000 | - | - | 3,000,000 | 27,027 | - | - | 27,027 | 0.590 | 16-Jul-20 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 2,670,000 | - | - | 2,670,000 | 24,054 | - | - | 24,054 | 0.590 | 16-Jul-20 | | |
| | Resona Bank, Limited. | 1,335,000 | - | - | 1,335,000 | 12,027 | - | - | 12,027 | 0.590 | 16-Jul-20 | | |
| | MUFG Bank, Ltd. | 668,000 | - | - | 668,000 | 6,018 | - | - | 6,018 | 0.590 | 16-Jul-20 | | |
| Mizuho Bank, Ltd. | 3,682,000 | - | - | 3,682,000 | 33,171 | - | - | 33,171 | 0.480 | 28-Aug-19 | | | |
| Sumitomo Mitsui Trust Bank, Limited | 3,400,000 | - | - | 3,400,000 | 30,630 | - | - | 30,630 | 0.343 | 22-Jan-19 | | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | MUFG Bank, Ltd. | 850,000 | - | - | 850,000 | 7,657 | - | - | 7,657 | 0.343 | 22-Jan-19 | (2) | Unsecured and unguaranteed |
| | Sumitomo Mitsui Trust Bank, Limited | 3,400,000 | - | - | 3,400,000 | 30,630 | - | - | 30,630 | 0.600 | 22-Jan-21 | | |
| | MUFG Bank, Ltd. | 850,000 | - | - | 850,000 | 7,657 | - | - | 7,657 | 0.600 | 22-Jan-21 | | |
| | Mizuho Bank, Ltd. | 465,000 | - | - | 465,000 | 4,189 | - | - | 4,189 | 0.463 | 30-Mar-19 | | |
| | MUFG Bank, Ltd. | 1,125,000 | - | - | 1,125,000 | 10,135 | - | - | 10,135 | 0.463 | 30-Mar-19 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 2,181,000 | - | - | 2,181,000 | 19,648 | - | - | 19,648 | 0.463 | 30-Mar-19 | | |
| | Shinsei Bank, Limited. | 570,000 | - | - | 570,000 | 5,135 | - | - | 5,135 | 0.463 | 30-Mar-19 | | |
| | Resona Bank, Limited. | 570,000 | - | - | 570,000 | 5,135 | - | - | 5,135 | 0.463 | 30-Mar-19 | | |
| | MUFG Bank, Ltd. | 650,000 | - | - | 650,000 | 5,855 | - | - | 5,855 | 0.463 | 30-Mar-19 | | |
| | Japan Post Bank Co., Ltd. | 2,000,000 | - | - | 2,000,000 | 18,018 | - | - | 18,018 | 0.463 | 30-Mar-19 | | |
| | Development Bank of Japan Inc. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.463 | 30-Mar-19 | | |
| | The Bank of Fukuoka, Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.463 | 30-Mar-19 | | |
| | The Shizuoka Bank, Ltd. | 1,270,000 | - | - | 1,270,000 | 11,441 | - | - | 11,441 | 0.463 | 30-Mar-19 | | |
| | The Daiichi Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.463 | 30-Mar-19 | | |
| | The Nomura Trust and Banking Co., Ltd. | 270,000 | - | - | 270,000 | 2,432 | - | - | 2,432 | 0.463 | 30-Mar-19 | | |
| | Mizuho Bank, Ltd. | 965,000 | - | - | 965,000 | 8,693 | - | - | 8,693 | 0.563 | 30-Mar-20 | | |
| | MUFG Bank, Ltd. | 1,125,000 | - | - | 1,125,000 | 10,135 | - | - | 10,135 | 0.563 | 30-Mar-20 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 2,180,000 | - | - | 2,180,000 | 19,639 | - | - | 19,639 | 0.563 | 30-Mar-20 | | |
| | Shinsei Bank, Limited. | 570,000 | - | - | 570,000 | 5,135 | - | - | 5,135 | 0.563 | 30-Mar-20 | | |
| | Resona Bank, Limited. | 570,000 | - | - | 570,000 | 5,135 | - | - | 5,135 | 0.563 | 30-Mar-20 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | MUFG Bank, Ltd. (5) | 650,000 | - | - | 650,000 | 5,855 | - | - | 5,855 | 0.563 | 30-Mar-20 | (2) | Unsecured and unguaranteed |
| | Japan Post Bank Co., Ltd. | 2,000,000 | - | - | 2,000,000 | 18,018 | - | - | 18,018 | 0.563 | 30-Mar-20 | | |
| | The Bank of Fukuoka, Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.563 | 30-Mar-20 | | |
| | The Shizuoka Bank, Ltd. | 270,000 | - | - | 270,000 | 2,432 | - | - | 2,432 | 0.563 | 30-Mar-20 | | |
| | The Kagawa Bank, Ltd. | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.563 | 30-Mar-20 | | |
| | The Hyogo Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.563 | 30-Mar-20 | | |
| | The Nomura Trust and Banking Co., Ltd. | 270,000 | - | - | 270,000 | 2,432 | - | - | 2,432 | 0.563 | 30-Mar-20 | | |
| | Mizuho Bank, Ltd. | 1,965,000 | - | - | 1,965,000 | 17,702 | - | - | 17,702 | 0.663 | 30-Mar-21 | | |
| | MUFG Bank, Ltd. | 1,125,000 | - | - | 1,125,000 | 10,135 | - | - | 10,135 | 0.663 | 30-Mar-21 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 2,180,000 | - | - | 2,180,000 | 19,639 | - | - | 19,639 | 0.663 | 30-Mar-21 | | |
| | Shinsei Bank, Limited. | 570,000 | - | - | 570,000 | 5,135 | - | - | 5,135 | 0.663 | 30-Mar-21 | | |
| | Resona Bank, Limited. | 570,000 | - | - | 570,000 | 5,135 | - | - | 5,135 | 0.663 | 30-Mar-21 | | |
| | MUFG Bank, Ltd. | 650,000 | - | - | 650,000 | 5,855 | - | - | 5,855 | 0.663 | 30-Mar-21 | | |
| | The Bank of Fukuoka, Ltd. | 1,333,000 | - | - | 1,333,000 | 12,009 | - | - | 12,009 | 0.663 | 30-Mar-21 | | |
| | The Shizuoka Bank, Ltd. | 270,000 | - | - | 270,000 | 2,432 | - | - | 2,432 | 0.663 | 30-Mar-21 | | |
| | The Kagawa Bank, Ltd. | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.663 | 30-Mar-21 | | |
| | The Hiroshima Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.663 | 30-Mar-21 | | |
| | The Nomura Trust and Banking Co., Ltd. | 270,000 | - | - | 270,000 | 2,432 | - | - | 2,432 | 0.663 | 30-Mar-21 | | |
| | Citibank, N.A., Japan Branches. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.463 | 15-Jun-19 | | |
| | Citibank, N.A., Japan Branches. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.563 | 15-Jun-20 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Citibank, N.A., Japan Branches. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.663 | 15-Jun-21 | (2) | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.463 | 30-Jun-19 | | |
| | AEON Bank, Ltd. | 3,000,000 | - | - | 3,000,000 | 27,027 | - | - | 27,027 | 0.663 | 30-Jun-21 | | |
| | The Tokyo Star Bank, Limited | 700,000 | - | - | 700,000 | 6,306 | - | - | 6,306 | 0.463 | 20-Jul-19 | | |
| | The Tokyo Star Bank, Limited | 1,600,000 | - | - | 1,600,000 | 14,414 | - | - | 14,414 | 0.563 | 20-Jul-20 | | |
| | The Tokyo Star Bank, Limited | 1,700,000 | - | - | 1,700,000 | 15,315 | - | - | 15,315 | 0.663 | 20-Jul-21 | | |
| | Mizuho Bank, Ltd. | 634,000 | - | - | 634,000 | 5,711 | - | - | 5,711 | 0.463 | 14-Mar-20 | | |
| | Development Bank of Japan Inc. | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.463 | 14-Mar-20 | | |
| | Resona Bank, Limited. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.463 | 14-Mar-20 | | |
| | The Bank of Fukuoka, Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.463 | 14-Mar-20 | | |
| | The Nomura Trust and Banking Co., Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.463 | 14-Mar-20 | | |
| | The Toyou Bank, Ltd. | 252,000 | - | - | 252,000 | 2,270 | - | - | 2,270 | 0.463 | 14-Mar-20 | | |
| | The Shizuoka Bank, Ltd. | 200,000 | - | - | 200,000 | 1,801 | - | - | 1,801 | 0.463 | 14-Mar-20 | | |
| | The Gunma Bank, Ltd. | 165,000 | - | - | 165,000 | 1,486 | - | - | 1,486 | 0.463 | 14-Mar-20 | | |
| | Mizuho Bank, Ltd. | 1,633,000 | - | - | 1,633,000 | 14,711 | - | - | 14,711 | 0.563 | 14-Mar-21 | | |
| | Resona Bank, Limited. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.563 | 14-Mar-21 | | |
| | The Bank of Fukuoka, Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.563 | 14-Mar-21 | | |
| | The Nomura Trust and Banking Co., Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.563 | 14-Mar-21 | | |
| | The Toyou Bank, Ltd. | 253,000 | - | - | 253,000 | 2,279 | - | - | 2,279 | 0.563 | 14-Mar-21 | | |
| | The Shizuoka Bank, Ltd. | 200,000 | - | - | 200,000 | 1,801 | - | - | 1,801 | 0.563 | 14-Mar-21 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | The Gunma Bank, Ltd. | 165,000 | - | - | 165,000 | 1,486 | - | - | 1,486 | 0.563 | 14-Mar-21 | (2) | Unsecured and unguaranteed |
| | Mizuho Bank, Ltd. | 1,733,000 | - | - | 1,733,000 | 15,612 | - | - | 15,612 | 0.663 | 14-Mar-22 | | |
| | Resona Bank, Limited. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.663 | 14-Mar-22 | | |
| | The Bank of Fukuoka, Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.663 | 14-Mar-22 | | |
| | The Nomura Trust and Banking Co., Ltd. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.663 | 14-Mar-22 | | |
| | AEON Bank, Ltd. | 900,000 | - | - | 900,000 | 8,108 | - | - | 8,108 | 0.663 | 14-Mar-22 | | |
| | The Tokai Bank, Ltd. | 253,000 | - | - | 253,000 | 2,279 | - | - | 2,279 | 0.663 | 14-Mar-22 | | |
| | The Shizuoka Bank, Ltd. | 200,000 | - | - | 200,000 | 1,801 | - | - | 1,801 | 0.663 | 14-Mar-22 | | |
| | The Dai-ichi Life Insurance company, Limited | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.663 | 14-Mar-22 | | |
| | The Gunma Bank, Ltd. | 165,000 | - | - | 165,000 | 1,486 | - | - | 1,486 | 0.663 | 14-Mar-22 | | |
| | Sumitomo Mitsui Banking Corporation | 3,000,000 | - | - | 3,000,000 | 27,027 | - | - | 27,027 | 0.513 | 14-Sep-20 | | |
| | Mizuho Bank, Ltd. | 4,321,000 | - | - | 4,321,000 | 38,927 | - | - | 38,927 | 0.613 | 29-Nov-21 | | |
| | The Dai-ichi Life Insurance company, Limited | 3,000,000 | - | - | 3,000,000 | 27,027 | - | - | 27,027 | 0.613 | 29-Nov-21 | | |
| | Shinsei Bank, Limited. | 355,000 | - | - | 355,000 | 3,198 | - | - | 3,198 | 0.363 | 13-Oct-20 | | |
| | Citibank, N.A., Japan Branches | 355,000 | - | - | 355,000 | 3,198 | - | - | 3,198 | 0.363 | 13-Oct-20 | | |
| | Resona Bank, Limited. | 334,000 | - | - | 334,000 | 3,009 | - | - | 3,009 | 0.363 | 13-Oct-20 | | |
| | The Bank of Fukuoka, Ltd. | 300,000 | - | - | 300,000 | 2,702 | - | - | 2,702 | 0.363 | 13-Oct-20 | | |
| | AEON Bank, Ltd. | 190,000 | - | - | 190,000 | 1,711 | - | - | 1,711 | 0.363 | 13-Oct-20 | | |
| | The Nomura Trust and Banking Co., Ltd. | 167,000 | - | - | 167,000 | 1,504 | - | - | 1,504 | 0.363 | 13-Oct-20 | | |
| | The Hiroshima Bank, Ltd. | 167,000 | - | - | 167,000 | 1,504 | - | - | 1,504 | 0.363 | 13-Oct-20 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Shinsei Bank, Limited. | 355,000 | - | - | 355,000 | 3,198 | - | - | 3,198 | 0.463 | 13-Oct-21 | (2) | Unsecured and unguaranteed |
| | Citibank, N.A., Japan Branches | 355,000 | - | - | 355,000 | 3,198 | - | - | 3,198 | 0.463 | 13-Oct-21 | | |
| | Resona Bank, Limited. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.463 | 13-Oct-21 | | |
| | The Bank of Fukuoka, Ltd. | 300,000 | - | - | 300,000 | 2,702 | - | - | 2,702 | 0.463 | 13-Oct-21 | | |
| | AEON Bank, Ltd. | 190,000 | - | - | 190,000 | 1,711 | - | - | 1,711 | 0.463 | 13-Oct-21 | | |
| | The Nomura Trust and Banking Co., Ltd. | 167,000 | - | - | 167,000 | 1,504 | - | - | 1,504 | 0.463 | 13-Oct-21 | | |
| | The Hiroshima Bank, Ltd. | 167,000 | - | - | 167,000 | 1,504 | - | - | 1,504 | 0.463 | 13-Oct-21 | | |
| | Mizuho Bank, Ltd. | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.663 | 13-Oct-22 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.663 | 13-Oct-22 | | |
| | Sumitomo Mitsui Banking Corporation | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.663 | 13-Oct-22 | | |
| | Shinsei Bank, Limited. | 355,000 | - | - | 355,000 | 3,198 | - | - | 3,198 | 0.663 | 13-Oct-22 | | |
| | Citibank, N.A., Japan Branches | 355,000 | - | - | 355,000 | 3,198 | - | - | 3,198 | 0.663 | 13-Oct-22 | | |
| | Resona Bank, Limited. | 333,000 | - | - | 333,000 | 3,000 | - | - | 3,000 | 0.663 | 13-Oct-22 | | |
| | Development Bank of Japan Inc. | 1,500,000 | - | - | 1,500,000 | 13,513 | - | - | 13,513 | 0.663 | 13-Oct-22 | | |
| | The Bank of Fukuoka, Ltd. | 300,000 | - | - | 300,000 | 2,702 | - | - | 2,702 | 0.663 | 13-Oct-22 | | |
| | AEON Bank, Ltd. | 190,000 | - | - | 190,000 | 1,711 | - | - | 1,711 | 0.663 | 13-Oct-22 | | |
| | The Nomura Trust and Banking Co., Ltd. | 166,000 | - | - | 166,000 | 1,495 | - | - | 1,495 | 0.663 | 13-Oct-22 | | |
| | The Hiroshima Bank, Ltd. | 166,000 | - | - | 166,000 | 1,495 | - | - | 1,495 | 0.663 | 13-Oct-22 | | |
| | The Dai-ichi Life Insurance company, Limited | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.663 | 13-Oct-22 | | |
| | Mizuho Bank, Ltd. | 1,250,000 | - | - | 1,250,000 | 11,261 | - | - | 11,261 | 0.763 | 13-Oct-23 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|-------------------------------------|-----------------------|-----------|----------|----------------|--------------------------------|----------|----------|----------------|----------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Sumitomo Mitsui Trust Bank, Limited | 1,065,000 | - | - | 1,065,000 | 9,594 | - | - | 9,594 | 0.763 | 13-Oct-23 | (2) | Unsecured and unguaranteed |
| | Sumitomo Mitsui Banking Corporation | 1,250,000 | - | - | 1,250,000 | 11,261 | - | - | 11,261 | 0.763 | 13-Oct-23 | | |
| | Mizuho Bank, Ltd. | 1,250,000 | - | - | 1,250,000 | 11,261 | - | - | 11,261 | 0.863 | 11-Oct-24 | | |
| | Sumitomo Mitsui Trust Bank, Limited | 1,060,000 | - | - | 1,060,000 | 9,549 | - | - | 9,549 | 0.863 | 11-Oct-24 | | |
| | Sumitomo Mitsui Banking Corporation | 1,250,000 | - | - | 1,250,000 | 11,261 | - | - | 11,261 | 0.863 | 11-Oct-24 | | |
| | Mizuho Bank, Ltd. | 1,850,000 | - | - | 1,850,000 | 16,666 | - | - | 16,666 | 0.313 | 13-Oct-19 | | |
| | Sumitomo Mitsui Banking Corporation | 1,850,000 | - | - | 1,850,000 | 16,666 | - | - | 16,666 | 0.313 | 13-Oct-19 | | |
| | Shinsei Bank, Limited | 1,000,000 | - | - | 1,000,000 | 9,009 | - | - | 9,009 | 0.750 | 27-Oct-23 | | |
| | MUFG Bank, Ltd. | 500,000 | - | - | 500,000 | 4,504 | - | - | 4,504 | 0.750 | 27-Oct-23 | | |
| | Mizuho Bank, Ltd. | - | 2,442,000 | - | 2,442,000 | - | 22,000 | - | 22,000 | 0.363 | 17-Jul-21 | | |
| | MUFG Bank, Ltd. | - | 2,220,000 | - | 2,220,000 | - | 20,000 | - | 20,000 | 0.363 | 17-Jul-21 | | |
| | Sumitomo Mitsui Banking Corporation | - | 1,998,000 | - | 1,998,000 | - | 18,000 | - | 18,000 | 0.363 | 17-Jul-21 | | |
| | Shinsei Bank, Limited | - | 1,110,000 | - | 1,110,000 | - | 10,000 | - | 10,000 | 0.363 | 17-Jul-21 | | |
| | Citibank, N.A., Japan Branches | - | 1,000,000 | - | 1,000,000 | - | 9,009 | - | 9,009 | 0.363 | 17-Jul-21 | | |
| | Sumitomo Mitsui Trust Bank, Limited | - | 890,000 | - | 890,000 | - | 8,018 | - | 8,018 | 0.363 | 17-Jul-21 | | |
| | Mizuho Bank, Ltd. | - | 2,443,000 | - | 2,443,000 | - | 22,009 | - | 22,009 | 0.463 | 17-Jul-22 | | |
| | MUFG Bank, Ltd. | - | 2,220,000 | - | 2,220,000 | - | 20,000 | - | 20,000 | 0.463 | 17-Jul-22 | | |
| | Sumitomo Mitsui Banking Corporation | - | 1,997,000 | - | 1,997,000 | - | 17,990 | - | 17,990 | 0.463 | 17-Jul-22 | | |
| | Shinsei Bank, Limited | - | 1,110,000 | - | 1,110,000 | - | 10,000 | - | 10,000 | 0.463 | 17-Jul-22 | | |
| | Citibank, N.A., Japan Branches | - | 1,000,000 | - | 1,000,000 | - | 9,009 | - | 9,009 | 0.463 | 17-Jul-22 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|-----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Sumitomo Mitsui Trust Bank, Limited | - | 890,000 | - | 890,000 | - | 8,018 | - | 8,018 | 0.463 | 17-Jul-22 | (2) | Unsecured and unguaranteed |
| | Mizuho Bank, Ltd. | - | 2,442,000 | - | 2,442,000 | - | 22,000 | - | 22,000 | 0.563 | 14-Jul-23 | | |
| | MUFG Bank, Ltd. | - | 2,220,000 | - | 2,220,000 | - | 20,000 | - | 20,000 | 0.563 | 14-Jul-23 | | |
| | Sumitomo Mitsui Banking Corporation | - | 1,997,000 | - | 1,997,000 | - | 17,990 | - | 17,990 | 0.563 | 14-Jul-23 | | |
| | Shinsei Bank, Limited. | - | 1,110,000 | - | 1,110,000 | - | 10,000 | - | 10,000 | 0.563 | 14-Jul-23 | | |
| | Citibank, N.A., Japan Branches | - | 1,000,000 | - | 1,000,000 | - | 9,009 | - | 9,009 | 0.563 | 14-Jul-23 | | |
| | Sumitomo Mitsui Trust Bank, Limited | - | 890,000 | - | 890,000 | - | 8,018 | - | 8,018 | 0.563 | 14-Jul-23 | | |
| | Mizuho Bank, Ltd. | - | 766,000 | - | 766,000 | - | 6,900 | - | 6,900 | 0.363 | 02-Aug-21 | | |
| | Sumitomo Mitsui Banking Corporation | - | 766,000 | - | 766,000 | - | 6,900 | - | 6,900 | 0.363 | 02-Aug-21 | | |
| | MUFG Bank, Ltd. | - | 467,000 | - | 467,000 | - | 4,207 | - | 4,207 | 0.363 | 02-Aug-21 | | |
| | Shinsei Bank, Limited. | - | 150,000 | - | 150,000 | - | 1,351 | - | 1,351 | 0.363 | 02-Aug-21 | | |
| | Citibank, N.A., Japan Branches | - | 120,000 | - | 120,000 | - | 1,081 | - | 1,081 | 0.363 | 02-Aug-21 | | |
| | The Nomura Trust and Banking Co., Ltd. | - | 30,000 | - | 30,000 | - | 270 | - | 270 | 0.363 | 02-Aug-21 | | |
| | AEON Bank, Ltd. | - | 60,000 | - | 60,000 | - | 540 | - | 540 | 0.363 | 02-Aug-21 | | |
| | Mizuho Bank, Ltd. | - | 2,521,500 | - | 2,521,500 | - | 22,716 | - | 22,716 | 0.363 | 26-Aug-21 | | |
| | Sumitomo Mitsui Banking Corporation | - | 2,521,500 | - | 2,521,500 | - | 22,716 | - | 22,716 | 0.363 | 26-Aug-21 | | |
| | MUFG Bank, Ltd. | - | 2,133,000 | - | 2,133,000 | - | 19,216 | - | 19,216 | 0.363 | 26-Aug-21 | | |
| | Sumitomo Mitsui Trust Bank, Limited | - | 1,000,000 | - | 1,000,000 | - | 9,009 | - | 9,009 | 0.363 | 26-Aug-21 | | |
| | Shinsei Bank, Limited. | - | 684,000 | - | 684,000 | - | 6,162 | - | 6,162 | 0.363 | 26-Aug-21 | | |
| | Citibank, N.A., Japan Branches | - | 546,000 | - | 546,000 | - | 4,918 | - | 4,918 | 0.363 | 26-Aug-21 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|-----------|----------|----------------|--------------------------------|----------|----------|----------------|-------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Development Bank of Japan Inc. | - | 500,000 | - | 500,000 | - | 4,504 | - | 4,504 | 0.363 | 26-Sep-21 | (2) | Unsecured and unguaranteed |
| | Resona Bank, Limited. | - | 445,000 | - | 445,000 | - | 4,009 | - | 4,009 | 0.363 | 26-Sep-21 | | |
| | The Nomura Trust and Banking Co., Ltd. | - | 137,000 | - | 137,000 | - | 1,234 | - | 1,234 | 0.363 | 26-Sep-21 | | |
| | AEON Bank, Ltd. | - | 273,000 | - | 273,000 | - | 2,459 | - | 2,459 | 0.363 | 26-Sep-21 | | |
| | Mizuho Bank, Ltd. | - | 3,287,000 | - | 3,287,000 | - | 29,612 | - | 29,612 | 0.463 | 26-Sep-22 | | |
| | Sumitomo Mitsui Banking Corporation | - | 3,287,000 | - | 3,287,000 | - | 29,612 | - | 29,612 | 0.463 | 26-Sep-22 | | |
| | MUFG Bank, Ltd. | - | 2,600,000 | - | 2,600,000 | - | 23,423 | - | 23,423 | 0.463 | 26-Sep-22 | | |
| | Sumitomo Mitsui Trust Bank, Limited | - | 1,000,000 | - | 1,000,000 | - | 9,009 | - | 9,009 | 0.463 | 26-Sep-22 | | |
| | Shinsei Bank, Limited. | - | 833,000 | - | 833,000 | - | 7,504 | - | 7,504 | 0.463 | 26-Sep-22 | | |
| | Citibank, N.A., Japan Branches | - | 667,000 | - | 667,000 | - | 6,009 | - | 6,009 | 0.463 | 26-Sep-22 | | |
| | Development Bank of Japan Inc. | - | 500,000 | - | 500,000 | - | 4,504 | - | 4,504 | 0.463 | 26-Sep-22 | | |
| | Resona Bank, Limited. | - | 445,000 | - | 445,000 | - | 4,009 | - | 4,009 | 0.463 | 26-Sep-22 | | |
| | The Nomura Trust and Banking Co., Ltd. | - | 167,000 | - | 167,000 | - | 1,504 | - | 1,504 | 0.463 | 26-Sep-22 | | |
| | AEON Bank, Ltd. | - | 334,000 | - | 334,000 | - | 3,009 | - | 3,009 | 0.463 | 26-Sep-22 | | |
| | Mizuho Bank, Ltd. | - | 3,287,500 | - | 3,287,500 | - | 29,617 | - | 29,617 | 0.563 | 26-Sep-23 | | |
| | Sumitomo Mitsui Banking Corporation | - | 3,287,500 | - | 3,287,500 | - | 29,617 | - | 29,617 | 0.563 | 26-Sep-23 | | |
| | MUFG Bank, Ltd. | - | 2,600,000 | - | 2,600,000 | - | 23,423 | - | 23,423 | 0.563 | 26-Sep-23 | | |
| | Sumitomo Mitsui Trust Bank, Limited | - | 1,000,000 | - | 1,000,000 | - | 9,009 | - | 9,009 | 0.563 | 26-Sep-23 | | |
| | Shinsei Bank, Limited. | - | 833,000 | - | 833,000 | - | 7,504 | - | 7,504 | 0.563 | 26-Sep-23 | | |
| | Citibank, N.A., Japan Branches | - | 667,000 | - | 667,000 | - | 6,009 | - | 6,009 | 0.563 | 26-Sep-23 | | |

| Classification | Name of lender | Beginning balance | Increase | Decrease | Ending balance | Beginning balance | Increase | Decrease | Ending balance | Average interest rate (%) (1) | Maturity date | Use of proceeds | Remarks |
|-------------------------|--|-----------------------|------------|-------------|----------------|--------------------------------|----------|-----------|----------------|----------------------------------|---------------|-----------------|----------------------------|
| | | (in thousands of yen) | | | | (in thousands of U.S. dollars) | | | | | | | |
| Long-term loans payable | Development Bank of Japan Inc. | - | 500,000 | - | 500,000 | - | 4,504 | - | 4,504 | 0.563 | 26-Sep-23 | (2) | Unsecured and unguaranteed |
| | Resona Bank, Limited. | - | 445,000 | - | 445,000 | - | 4,009 | - | 4,009 | 0.563 | 26-Sep-23 | | |
| | The Nomura Trust and Banking Co., Ltd. | - | 166,000 | - | 166,000 | - | 1,495 | - | 1,495 | 0.563 | 26-Sep-23 | | |
| | AEON Bank, Ltd. | - | 333,000 | - | 333,000 | - | 3,000 | - | 3,000 | 0.563 | 26-Sep-23 | | |
| | Total Long-term loans payable | 185,415,000 | 68,338,000 | 28,979,000 | 224,774,000 | 1,670,405 | 615,657 | 261,072 | 2,024,990 | - | - | | |
| Total loans payable | 187,415,000 | 69,437,000 | 30,979,000 | 225,873,000 | 1,688,423 | 625,558 | 279,090 | 2,034,891 | - | - | - | - | |

Notes:

- (1) The average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to three decimal places.
- (2) The funds are mainly used to acquire properties in trust and for repayment of loans payable.
- (3) Long-term loans payable include current portion.
- (4) 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, 2018 (in thousands of yen) | December 31, 2018 (in thousands of U.S. dollars) |
| 1-2 years..... | ¥ 50,130,000 | \$ 451,621 |
| 2-3 years..... | 55,601,000 | 500,909 |
| 3-4 years..... | 32,895,000 | 296,351 |
| 4-5 years..... | 27,843,000 | 250,837 |

11. 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\$450 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of investment units authorized was 10,000,000 units as of June 30, 2018 and December 31, 2018.

The number of investment units issued and outstanding were 4,793,181 as of June 30, 2018 and 5,666,840 as of December 31, 2018 respectively.

12. 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, 2018 and December 31, 2018.

| | For the six months ended | | |
|---|---|---|--|
| | June 30, 2018 (in thousands of yen) | December 31, 2018 (in thousands of yen) | December 31, 2018 (in thousands of U.S. dollars) |
| Unappropriated retained earnings..... | ¥ 7,610,548 | ¥ 9,140,372 | \$ 82,345 |
| Distributions in excess of retained earnings..... | | | |

| | | | |
|---|-------------|-------------|----------|
| Allowance for temporary differences adjustment | - | (85,002) | (765) |
| Deduction from unitholders capital surplus | - | (204,006) | (1,837) |
| Distributions | (6,854,248) | (9,537,291) | (85,921) |
| Of which, distributions of earnings | (6,854,248) | (9,248,282) | (83,317) |
| Of which, allowance for adjustment of temporary differences | - | (85,002) | (765) |
| Of which, deduction from unitholders capital surplus | - | (204,006) | (1,837) |
| Retained earnings / losses carried forward | ¥ 756,300 | ¥ (107,910) | \$ (972) |

The distribution in respect of the six months ended December 31, 2018 of ¥1,683 (US\$15.1) per investment unit, amounting to a total distribution of ¥9,537,291 thousand (US\$85,921 thousand) was proposed and approved at the Board of Directors meeting on February 21, 2019. These financial statements do not reflect these distributions payable.

Cash distributions per investment unit were ¥1,430 and ¥1,683 (US\$15.1) for the six months ended June 30, 2018, and December 31, 2018, respectively.

Notes related to provision and reversal of allowance for temporary differences adjustment is below.

For the six months ended June 30, 2018

Not Applicable.

For the six months ended December 31, 2018

In this table, the Company recorded allowance for temporary differences adjustment below.

(a) Reasons, related assets and allowance

(in thousands of yen)

| Related assets, etc. | Reason for occurrence | Allowance for temporary difference adjustments |
|---------------------------|---|--|
| Leasehold rights in trust | Occurrence of amortization of leasehold rights in trust | 85,002 |

(in thousands of U.S dollars)

| Related assets, etc. | Reason for occurrence | Allowance for temporary difference adjustments |
|---------------------------|---|--|
| Leasehold rights in trust | Occurrence of amortization of leasehold rights in trust | 765 |

(b) Method of reversal

| Related assets, etc. | Method of reversal |
|---------------------------|--|
| Leasehold rights in trust | Upon sale, the corresponding amount is scheduled to be reversed. |

13. 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, 2018 and December 31, 2018 consist of the following:

| | For the six months ended | | |
|--|--------------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Rental revenue – real estate: | | | |
| Rental revenue and common area charges (*) | ¥ 10,769,777 | ¥ 13,258,939 | \$ 119,449 |
| Other | 352,704 | 345,284 | 3,110 |
| Total rental revenue – real estate | ¥ 11,122,481 | ¥ 13,604,224 | \$ 122,560 |
| Expenses related to property rental business: | | | |
| Facility management fees | ¥ 665,093 | ¥ 667,393 | \$ 6,012 |
| Property related taxes | 470,692 | 547,232 | 4,930 |
| Insurance expense | 12,845 | 13,817 | 124 |

| | | | |
|--|-------------|-------------|-----------|
| Depreciation | 2,772,510 | 3,039,033 | 27,378 |
| Other | 215,476 | 183,199 | 1,650 |
| Total expenses related to property rental business | ¥ 4,136,619 | ¥ 4,450,676 | \$ 40,096 |
| Operating income from property leasing activities | ¥ 6,985,862 | ¥ 9,153,548 | \$ 82,464 |
| (*)Variable rental revenue of hotels | ¥ 3,789,484 | ¥ 4,953,767 | \$ 44,628 |

14. Breakdown of Gain on sales of Properties

For the six months ended June 30, 2018

| | Harmonie Ochanomizu | Growth Maison Ikebukuro | Capital Heights Kagurazaka |
|---|------------------------|----------------------------|----------------------------------|
| | (in thousands of yen) | | |
| Revenue from sales of properties | ¥ 1,606,646 | ¥ 1,059,850 | ¥ 734,817 |
| Cost of properties sold | 1,346,372 | 743,659 | 623,867 |
| Other sale-related costs | 38,843 | 26,625 | 20,817 |
| Gain or loss on sales of properties | ¥ 221,430 | ¥ 289,565 | ¥ 90,132 |
| | (in thousands of yen) | | |
| | Cross Square NAKANO | Ohki Aoba Building | Lexington Plaza Nishi-Gotanda |
| Revenue from sales of properties | ¥ 1,357,090 | ¥ 728,446 | ¥ 5,180,003 |
| Cost of properties sold | 1,125,668 | 709,604 | 4,632,693 |
| Other sale-related costs | 23,268 | 11,439 | 114,348 |
| Gain or loss on sales of properties | ¥ 208,153 | ¥ 7,402 | ¥ 432,961 |

For the six months ended December 31, 2018

Not Applicable.

15. 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, 2018 | December 31, 2018 |
| | (Rate) | |
| Statutory tax rates | 31.74 % | 31.51 % |
| Deductible cash distributions | (22.95) | (31.84) |
| Increase (decrease) in valuation allowance | (8.79) | (0.35) |
| Other | 0.01 | 0.69 |
| Effective tax rates | 0.01 % | 0.01 % |

(b) Deferred tax assets and liabilities consist of the following:

| | As of | | |
|--|-----------------------|----------------------|----------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of |

| | U.S. dollars) | | |
|---|---------------|-------------|----------|
| Deferred tax assets: | | | |
| Enterprise tax payable | ¥ 1,325 | ¥ 1,294 | \$ 11 |
| Allowance for doubtful accounts | 28 | 27 | 0 |
| Buildings and other (merger) | 561,751 | 549,474 | 4,950 |
| Land (merger) | 1,374,216 | 1,367,722 | 12,321 |
| Net loss carried forward(*) | 7,200,289 | 7,153,149 | 64,442 |
| Asset retirement obligations | 10,122 | 10,142 | 91 |
| Fixed-term leasehold | 116,528 | 153,295 | 1,381 |
| Subtotal - deferred tax assets | 9,264,262 | 9,235,105 | 83,199 |
| Valuation allowance for tax loss carried forward | - | (7,153,149) | (64,442) |
| Valuation allowance for the sum of deductible temporary differences | - | (2,037,871) | (18,359) |
| Subtotal - valuation allowance | (9,225,589) | (9,191,020) | (82,801) |
| Total - deferred tax assets | 38,673 | 44,084 | 397 |
| Deferred tax liabilities: | | | |
| Asset retirement obligations | 9,797 | 9,751 | 87 |
| Deferred gains or losses on hedges | 28,875 | 34,333 | 309 |
| Total - deferred tax liabilities | 38,673 | 44,084 | 397 |
| Net deferred tax assets | ¥ - | ¥ - | \$ - |

(*)The amounts of tax loss carried forward and the deferred tax assets are indicated by carry-forward period.

For the six month ended December 31, 2018

| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|------------------------------|-----------------------|-------------|-----------|-----------|-----------|--------------|-------------|
| | (in thousands of yen) | | | | | | |
| Tax loss carried forward (a) | 5,164,678 | 1,317,493 | - | 349,185 | 321,791 | - | 7,153,149 |
| Valuation allowance | (5,164,678) | (1,317,493) | - | (349,185) | (321,791) | - | (7,153,149) |
| Deferred tax assets | - | - | - | - | - | - | - |

| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|------------------------------|--------------------------------|-----------|-----------|-----------|-----------|--------------|----------|
| | (in thousands of U.S. dollars) | | | | | | |
| Tax loss carried forward (a) | 46,528 | 11,869 | - | 3,145 | 2,899 | - | 64,442 |
| Valuation allowance | (46,528) | (11,869) | - | (3,145) | (2,899) | - | (64,442) |
| Deferred tax assets | - | - | - | - | - | - | - |

(a)Tax loss carried forward shown in the above table is after multiplying the statutory tax rate.

16. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of June 30, 2018 and December 31, 2018 scheduled to be received are summarized as follows:

| | As of | | |
|---------------------|-----------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Due within one year | ¥ 8,623,053 | ¥ 9,754,753 | \$ 87,880 |
| Due over one year | 58,058,083 | 63,134,893 | 568,782 |
| Total | ¥ 66,681,137 | ¥ 72,889,647 | \$ 656,663 |

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of June 30, 2018 and December 31, 2018 scheduled to be paid are summarized as follows:

| | As of | | |
|---------------------------|-----------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Due within one year | ¥ 312,959 | ¥ 312,959 | \$ 2,819 |
| Due over one year | 10,090,556 | 9,934,076 | 89,496 |
| Total | ¥ 10,403,515 | ¥ 10,247,035 | \$ 92,315 |

17. Financial Instruments

(a) Qualitative information for financial instruments

(i) Policy for financial instrument transactions

The Company raises funds through loans payable, investment corporation bonds, 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.

(ii) Nature and extent of risks arising from financial instruments and risk management

The funds raised through loans payable and investment corporation bonds 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, 2018 and December 31, 2018.

| | As of | | | | | | | | |
|--|-----------------------|---------------|------------|----------------------|---------------|------------|--------------------------------|--------------|------------|
| | June 30, 2018 | | | December 31, 2018 | | | December 31, 2018 | | |
| | 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 | ¥ 8,505,792 | ¥ 8,505,792 | ¥ - | ¥ 3,985,335 | ¥ 3,985,335 | ¥ - | \$ 35,903 | \$ 35,903 | \$ - |
| (2) Cash and bank deposits in trust | 6,566,761 | 6,566,761 | - | 7,079,268 | 7,079,268 | - | 63,777 | 63,777 | - |
| Total assets | ¥ 15,072,553 | ¥ 15,072,553 | ¥ - | ¥ 11,064,604 | ¥ 11,064,604 | ¥ - | \$ 99,681 | \$ 99,681 | \$ - |
| Liabilities: | | | | | | | | | |
| (3) Short-term loans payable | 2,000,000 | 2,000,000 | - | 1,099,000 | 1,099,000 | - | 9,900 | 9,900 | - |
| (4) Current portion of long-term loans payable | 46,663,000 | 46,663,000 | - | 54,745,000 | 54,745,000 | - | 493,198 | 493,198 | - |
| (5) Investment corporation bonds | 2,000,000 | 1,998,500 | (1,500) | 4,000,000 | 3,996,500 | (3,500) | 36,036 | 36,004 | (31) |
| (6) Long-term loans payable | 138,752,000 | 138,752,000 | - | 170,029,000 | 170,029,000 | - | 1,531,792 | 1,531,792 | - |
| Total liabilities | ¥ 189,415,000 | ¥ 189,413,500 | ¥ (1,500) | ¥ 229,873,000 | ¥ 229,869,500 | ¥ (3,500) | \$ 2,070,927 | \$ 2,070,896 | \$ (31) |
| (7) Derivatives | ¥ 90,975 | ¥ 90,975 | ¥ - | ¥ 124,029 | ¥ 124,029 | ¥ - | \$ 1,117 | \$ 1,117 | \$ - |

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(3)Short-term loans payable

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

(4)Current portion of long-term loans payable(6)Long-term loans payable

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.

(5)Investment corporation bonds

The fair values of investment corporate bonds are determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new investment corporate bonds under the same conditions and terms.

(7)Derivatives

Please refer to the "19. Derivatives" below.

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

| | As of | | |
|---|-----------------------|----------------------|-----------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Tenant leasehold and security deposits in trust | ¥ 2,026,400 | ¥ 2,009,816 | \$ 18,106 |
| Investment securities | ¥ 17,856,387 | ¥ 54,640,213 | \$ 492,254 |

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.

Fair values of preferred securities and TK interest are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

(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, 2018: | | | | | | |
| Cash and bank deposits | ¥ 8,505,792 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Cash and bank deposits in trust | 6,566,761 | - | - | - | - | - |
| Total | ¥ 15,072,553 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

As of December 31, 2018:

| | | | | | | |
|---------------------------------|--------------|-----|-----|-----|-----|-----|
| Cash and bank deposits | ¥ 3,985,335 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Cash and bank deposits in trust | 7,079,268 | - | - | - | - | - |
| Total | ¥ 11,064,604 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

| | 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, 2018: | | | | | | |
| Cash and bank deposits | \$ 35,903 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cash and bank deposits in trust | 63,777 | - | - | - | - | - |
| Total | \$ 99,681 | \$ - | \$ - | \$ - | \$ - | \$ - |

(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, 2018: | | | | | | |
| Short-term loans payable | 2,000,000 | - | - | - | - | - |
| Current portion of long-term loans payable | 46,663,000 | - | - | - | - | - |
| Investment corporation bonds | - | - | - | - | 1,000,000 | 1,000,000 |
| Long-term loans payable | - | 51,744,000 | 57,380,000 | 15,638,000 | 6,865,000 | 7,125,000 |
| Total | ¥ 48,663,000 | ¥ 51,744,000 | ¥ 57,380,000 | ¥ 15,638,000 | ¥ 7,865,000 | ¥ 8,125,000 |

As of December 31, 2018:

| | | | | | | |
|--------------------------|-----------|---|---|---|---|---|
| Short-term loans payable | 1,099,000 | - | - | - | - | - |
|--------------------------|-----------|---|---|---|---|---|

| | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|-------------|
| Current portion of long-term loans payable | 54,745,000 | - | - | - | - | - |
| Investment corporation bonds | - | - | - | - | 3,000,000 | 1,000,000 |
| Long-term loans payable | - | 50,130,000 | 55,601,000 | 32,895,000 | 27,843,000 | 3,560,000 |
| Total | ¥ 55,844,000 | ¥ 50,130,000 | ¥ 55,601,000 | ¥ 32,895,000 | ¥ 30,843,000 | ¥ 4,560,000 |

| | 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, 2018: | | | | | | |
| Short-term loans payable | 9,900 | - | - | - | - | - |
| Current portion of long-term loans payable | 493,198 | - | - | - | - | - |
| Investment corporation bonds | - | - | - | - | 27,027 | 9,009 |
| Long-term loans payable | - | 451,621 | 500,909 | 296,351 | 250,837 | 32,072 |
| Total | \$ 503,099 | \$ 451,621 | \$ 500,909 | \$ 296,351 | \$ 277,864 | \$ 41,081 |

18. Investment securities

As of June 30, 2018

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

As of December 31, 2018

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand (US\$160,868 thousand) and TK interest recorded on the Balance Sheet at ¥36,783,826 thousand (US\$331,385 thousand) are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

19. Derivatives

Information on derivative transactions undertaken by the Company as of June 30, 2018 and December 31, 2018 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of June 30, 2018:

| Method of hedge accounting | Type of derivative transaction | Main hedged item | Contract amount(*1) | | |
|-----------------------------|--|----------------------|---------------------|--------------|-----------------|
| | | | Total | Over 1 year | Fair Value (*2) |
| (in thousands of yen) | | | | | |
| Principle accounting method | Interest rate swap transaction floating rate receivable and Fixed rate payable | Long-term borrowings | ¥ 100,619,000 | ¥ 67,390,000 | ¥ 90,975 |

(*1) The contract amount is based on the notional principal amount.

(*2) The fair value is provided by the financial institution.

As of December 31, 2018:

| Method of hedge accounting | Type of derivative transaction | Main hedged item | Contract amount(*1) | | | Contract amount(*1) | | |
|----------------------------|--------------------------------|------------------|---------------------|-------------|-----------------|--------------------------------|-------------|-----------------|
| | | | Total | Over 1 year | Fair Value (*2) | Total | Over 1 year | Fair Value (*2) |
| (in thousands of yen) | | | | | | (in thousands of U.S. dollars) | | |

| | | | | | | | | |
|-----------------------------|--|---|--------------|--------------|------------|------------|------------|----------|
| | Interest rate swap transaction floating rate receivable and Fixed rate payable | Long-term borrowings | ¥ 71,640,000 | ¥ 34,729,000 | ¥ 48,781 | \$ 645,405 | \$ 312,873 | \$ 439 |
| Principle accounting method | Currency options Sell – USD Call (Option premium) | Future transactions denominated in a foreign currency | ¥ 4,444,000 | ¥ 1,903,000 | ¥ | \$ 40,036 | \$ 17,144 | \$ |
| Principle accounting method | Currency options Buy – USD Put Option premium | | ¥ (124,943) | ¥ (53,157) | ¥ (87,318) | \$ (1,125) | \$ (478) | \$ (786) |
| | | | ¥ 4,444,000 | ¥ 1,903,000 | ¥ | \$ 40,036 | \$ 17,144 | \$ |
| | | | ¥ 140,288 | ¥ 88,792 | ¥ 162,566 | \$ 1,263 | \$ 799 | \$ 1,464 |

(*1) The interest rate swap contract amount is based on the notional principal amount.

(*2) Calculation of fair value is based on information provided by financial institutions.

20. Asset Retirement Obligations

The Company has an obligation under a fixed-term leasehold agreement to restore its leased land, which represents the land where COMFORT HOTEL MAEBASHI, owned by the Company, is located upon the termination of agreement. The estimated period of use of property is estimated at 43 years based on the lease period per the agreement. The assets retirement obligation for the restoration is recognized as a liability using discount rate at 1.342%.

Movements of asset retirement obligations for the six month ended June 30, 2018 and December 31, 2018 are as follows.

| | For the six month ended | | |
|---|-------------------------|-------------------|--------------------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of U.S. dollars) |
| Balance at the beginning of the period | ¥ 31,680 | ¥ 31,891 | \$ 287 |
| Liabilities incurred due to the acquisition of properties | - | - | - |
| Accretion expense | 210 | 215 | 1 |
| Balance at the end of the period | ¥ 31,891 | ¥ 32,107 | \$ 289 |

21. Segment Information

Segment information for the six months ended June 30, 2018 and December 31, 2018 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, 2018 and December 31, 2018 were as follows:

For the six months ended June 30, 2018

| Name of client | Operating Revenues (in thousands of yen) | Related segment |
|-----------------------------------|---|--------------------------------|
| Mystays Hotel Management Co.,Ltd. | ¥5,324,738 | Real estate investing business |

For the six months ended December 31, 2018

| Name of client | Operating Revenues (in thousands of yen) | Operating Revenues (in thousands of U.S. dollars) | Related segment |
|-----------------------------------|---|--|--------------------------------|
| Mystays Hotel Management Co.,Ltd. | ¥7,297,799 | \$65,745 | Real estate investing business |

22. Profit or Loss from Equity Method, etc

For the six months ended June 30, 2018

(in thousands of yen)

| | |
|---|------------|
| Investments in affiliates | 17,856,387 |
| Investments, if equity method was adopted | 17,845,800 |
| Investment gains (losses), if equity method was adopted | 722,127 |

For the six months ended December 31, 2018

(in thousands of yen)

(in thousands of US dollars)

| | | |
|---|------------|---------|
| Investments in affiliates | 54,640,213 | 492,254 |
| Investments, if equity method was adopted | 54,640,213 | 492,254 |
| Investment gains (losses), if equity method was adopted | 846,780 | 7,628 |

23. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

For the six months ended June 30, 2018

| 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(1) (in thousands of yen) | Balance sheet account | Amounts(1) (in thousands of yen) |
| Interested party of the Asset Manager | Ginga 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)(4) | ¥5,326,000 | - | - |
| | HL Investments 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)(4) | ¥2,772,000 | - | - |
| | Morza 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)(4) | ¥2,723,000 | - | - |
| | Suisei 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)(4) | ¥1,604,000 | - | - |

| | | | | | | | | | | |
|--|---|------------------|--------------------------------|------|---|--|---|------------|--------------------|------------|
| | Calvis TMK(3) | Minato-ku, Tokyo | Investment management business | Y0.1 | - | Seller of real estate trust beneficiary rights | Acquisition of real estate trust beneficiary rights(2)(4) | Y7,325,000 | - | - |
| | Naqua Hotel & Resorts Management Co., Ltd.(3) | Minato-ku, Tokyo | Hotel management business | Y10 | - | Lease holder and operator of hotel | Rental Revenues | Y576,941 | Rental receivables | Y221,582 |
| | Mystays Hotel Management Co., Ltd.(3) | Minato-ku, Tokyo | Hotel management business | Y100 | - | Lease holder and operator of hotel | Rental Revenues | Y5,324,738 | Rental receivables | Y1,387,974 |

Notes:

- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- 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, Ginga TMK, HL Investments TMK, Monza TMK, Suisei TMK, Calvis TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, but (i) Ginga TMK, HL Investments TMK, Monza TMK, and Suisei TMK used to receive investment through funds that are managed by FIG, an affiliate of Calliope; a parent company of the asset manager directly owning 100% of issued shares, (ii) Calvis TMK used to receive investment through funds that are managed by FIG, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares, (iii) Naqua Hotel & Management Resorts Management Co. Ltd and Mystays Hotel Management, Co. Ltd receive investment through funds that are managed by FIG, an affiliate of Calliope; a parent company of the asset manager directly owning 100% of issued shares until March 29, 2018, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares after March 29, 2018. Accordingly, we treat Ginga TMK, HL Investments TMK, Monza TMK, Suisei TMK, Calvis TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd as a related party.
- The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

For the six months ended December 31, 2018

| 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(1) | | Balance sheet account | Amounts(1) | |
| | | | | | | | | | (in thousands of yen) | (in thousands of US dollars) | | (in thousands of yen) | (in thousands of US dollars) |
| Interested party of the Asset Manager | Aki TMK(3) | Minato-ku, Tokyo | Investment management business | Y0.1 | \$0 | - | Seller of real estate trust beneficiary rights | Acquisition of real estate trust beneficiary rights(2)(4) | Y20,691,000 | \$186,405 | - | - | - |
| | Raetia TMK(3) | Minato-ku, Tokyo | Investment management business | Y0.1 | \$0 | - | Seller of real estate trust beneficiary rights | Acquisition of real estate trust beneficiary rights(2)(4) | Y16,731,000 | \$150,729 | - | - | - |
| | HL Investments 2 TMK(3) | Minato-ku, Tokyo | Investment management business | Y0.1 | \$0 | - | Seller of real estate trust beneficiary rights | Acquisition of real estate trust beneficiary rights(2)(4) | Y5,286,000 | \$47,621 | - | - | - |
| | Dogo TMK(3) | Minato-ku, Tokyo | Investment management business | Y0.1 | \$0 | - | Seller of real estate trust beneficiary rights | Acquisition of real estate trust beneficiary rights(2)(4) | Y5,039,000 | \$45,396 | - | - | - |
| | Naqua Hotel & Resorts Management Co., Ltd.(3) | Minato-ku, Tokyo | Hotel management business | Y10 | \$90 | - | Lease holder and operator of hotel | Rental Revenues | Y1,112,683 | \$10,024 | Rental receivables | Y141,119 | \$1,271 |
| | Mystays Hotel Management Co., Ltd.(3) | Minato-ku, Tokyo | Hotel management business | Y100 | \$900 | - | Lease holder and operator of hotel | Rental Revenues | Y7,297,799 | \$65,745 | Rental receivables | Y2,264,664 | \$20,402 |

Notes:

- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- 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, Aki TMK, Raetia TMK, HL Investments 2 TMK, Dogo TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, they receive investment through funds that are managed by FIG, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares. Accordingly, we treat Aki TMK, Raetia TMK, HL Investments 2 TMK, Dogo TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd as a related party.
- 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 US dollars) |
|--------------|------------------------------------|------------|--|---|
| D60 | Hotel MyStays Premier Akasaka | Aki TMK | 20,691,000 | 186,405 |
| D61 | Hotel MyStays Premier Sapporo Park | Raetia TMK | 16,731,000 | 150,729 |

| Property No. | Property name | Seller | Acquisition cost (in thousands of yen) | Acquisition cost (in thousands of US dollars) |
|--------------|-----------------------------------|----------------------|---|--|
| D62 | Hotel MyStays Ueno East | HL Investments 2 TMK | 5,286,000 | 47,621 |
| D63 | Hotel MyStays Midosuji Honmach | Dogo TMK | 5,039,000 | 45,396 |
| Total | | | 47,747,000 | 430,153 |

(b) Affiliates

For the six months ended June 30, 2018

Not Applicable.

For the six months ended December 31, 2018

| Type of related-party | Company name | Location | Business | Share capital | | Investment ratio | 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)(2) | | Balance sheet account | Amounts(1)(2) | |
| | | | | | | | | | (in millions of yen) | (in thousands of U.S. dollars) | | (in millions of yen) | (in thousands of U.S. dollars) |
| Affiliates | Seven Mile Resort Holdings Ltd. | Grand Cayman, Cayman Islands | Investment management business | ¥36,783 | \$331,385 | 100.0% | TK investment | Investment in the TK(2)(3) | ¥36,783 | \$331,385 | - | - | - |

(1) Investment amount in USD is converted to yen using the exchange rate fixed by foreign exchange forward (USD 1=JPY 110.45 (rounded down to two decimal places)).

(2) INV initially funded USD 339,836 thousand (JPY 37,534 million). However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated.

Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. Thus, the amounts indicated are those after the partial refund.

(3) Investment was made based on a TK agreement.

(4) The TK is a TK with Seven Mile Resort Holdings Ltd. as an operator.

(c) Board of Directors and Major Individual Unitholders

For the six months ended June 30, 2018

| 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 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) | ¥ 308,849 | Accrued expenses | ¥ 149,291 |
| | | | | Payment of institution management fee to Consonant Investment Management Co., Ltd.(2) | ¥ 600 | Accrued expenses | ¥ 324 |

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, 2018

| 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) | ¥279,774 | \$ 2,520 | Accrued expenses | ¥148,500 | \$ 1,337 |
| | | | | 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.

24. Parent company and/or significant affiliates

(a) Information on the parent company

Not Applicable.

(b) Summary of financial statements of the significant affiliates

The significant affiliates in the year ended December 31, 2018 is Kingdom TMK. Summary of financial statements are as follows:

| | Kingdom TMK | | |
|-------------------------------|----------------------------------|-------------------|------------------------------|
| | As of / For the six months ended | | |
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (in thousands of yen) | | (in thousands of US dollars) |
| Total specified assets | 100,422,370 | 100,856,568 | 908,617 |
| Total other assets | 5,409,900 | 3,784,525 | 34,094 |
| Total current liabilities | 1,436,173 | 212,208 | 1,911 |
| Total non-current liabilities | 66,480,660 | 66,280,661 | 597,123 |
| Total net assets | 37,915,436 | 38,148,224 | 343,677 |
| Operating revenue | 1,957,744 | 2,350,784 | 21,178 |
| Income before income taxes | 1,496,394 | 1,729,001 | 15,576 |
| Net income | 1,495,336 | 1,728,124 | 15,568 |

25. Per Unit Information

The following table shows net asset value per unit as of June 30, 2018 and December 31, 2018 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. The Company has no potentially dilutive units.

| | As of / For the six months ended | | |
|--|----------------------------------|----------------------|----------------------|
| | June 30, 2018 | December 31, 2018 | December 31, 2018 |
| | (Yen) | | (U.S. dollars) |
| Net asset value per unit | ¥ 37,871 | ¥ 39,063 | \$ 351 |
| Net income per unit | ¥ 1,611 | ¥ 1,504 | \$ 13 |
| Weighted average number of units | 4,793,181 | 5,575,457 | - |

26. Subsequent Events

Not Applicable.