



Audited Financial Statements
for the 32nd Fiscal Period
(from January 1, 2019 to June 30, 2019)

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Greetings	1
Independent Auditor's Report	3
Balance Sheet as June 30, 2019	4
Statement of Income and Retained Earnings for the six months ended June 30, 2019.....	6
Statement of Changes in Net Assets for the six months ended June 30, 2019	7
Statement of Cash Flows for the six months ended June 30, 2019	9
Notes to Financial Statements as of and for the six months ended June 30, 2019.....	10

Greetings from 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 32nd fiscal period (covering the period from January 1, 2019 to June 30, 2019; the “Reporting Period”).

During the Reporting Period, INV changed the investment structure for two overseas hotels to a direct ownership structure of the underlying assets from investments in anonymous associations on May 9, 2019. The change in ownership structure was made to adapt to an amended Act on Special Measures Concerning Taxation executed on April 1, 2019 and completely resolves the tax issue regarding conduit requirements. In June 2019, INV sold two residential assets for extremely favorable terms as a continuation of its asset recycling program. The total sale price was JPY 39.9 billion, resulting in a gain of JPY 11.1 billion. The gain on sale was retained as internal reserves in order to stabilize future distributions. INV has achieved steady NOI growth for both hotel and residential assets, the core assets in the portfolio.

As a result of the initiatives and factors mentioned above, operating revenues reached JPY 27,339 million, operating income JPY 22,185 million, and net income JPY 21,239 million. INV decided on a distribution per unit (DPU) of JPY 1,656 for June 2019 fiscal period (+15.8% year on year (1)), and expects annual DPU of JPY 3,381 for 2019. INV reserved a portion of the net income, which increased in part due to the structure change of the overseas hotels and the sales of the two residential assets, in order to maintain stable distributions in the future.

With the updated 2019 DPU forecast of JPY 3,381, INV has already achieved 45.7% of its medium-term plan outlined in “Vision 2022”(2) and maintains its target to achieve an annual DPU of JPY 3,700 in 2022.

On July 1, 2019, INV launched its sixth Global Share Offering (after the reporting period), and seventh share offering in total since Fortress became its Sponsor. The funds from the issuance of new units along with new borrowings and cash were used to acquire 18 domestic hotels. As a result, our asset size exceeds JPY 500 billion (based on acquisition price), and we have the largest hotel portfolio among all J-REITs (as of August 31, 2019). INV believes the July 2019 acquisition benefits the portfolio by providing further diversification in terms of area and asset type, and will contribute to stability and growth of revenue.

The 18 high quality hotels(3) above are mainly located in "Prime Tourism Area"(4), where we believe the demand for tourists, especially inbound tourists, is and will be strong such as Hokkaido, Fuji area, and Ishigaki Island. We also believe that the Rugby World Cup held this fall and the Tokyo Olympics and

Paralympics held next year will draw an increase in attention to Japan, helping to promote robust demand of inbound tourists in the future.

INV will continue to implement its basic policy to “increase distribution per unit,” and will ensure the implementation of measures to maximize unitholder value.

Your continued support is highly appreciated.

Naoki Fukuda

Executive Director, Invincible Investment Corporation

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

(1) Comparison with the fiscal period ended June 2018. In order to eliminate the seasonal effects of hotel variable rent, which is one of the major revenues of INV, the comparison is made with the same period in the previous year and not with the previous fiscal period (ended December 2018).

(2) 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

(3) Hotels we consider as highly competitive in terms of location, appearance, interior, specifications, ancillary facilities and facilities.

(4) We define as areas with strong tourism demand particularly from inbound visitors due to attractive tourism resources

Distribution per unit for the 32nd fiscal period (the fiscal period ended June 2019)

JPY 1,656

(Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of August 31, 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.

Independent Auditor's Report

The Board of Directors
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at June 30, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invincible Investment Corporation as at June 30, 2019, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 27 to the financial statements, which describe the followings.

1. A decision was made on the issuance of new investment units and secondary offering of investment units on July 1, 2019 and July 10, 2019 and the payment was completed on July 18, 2019 and August 15, 2019.
2. A decision was made on the implementation of borrowings and the borrowing agreement was entered into on July 1, 2019.
3. A decision was made to acquire 18 hotel properties on July 1, 2019 and the acquisitions have been closed on July 19, 2019.

Our opinion is not qualified in respect of these matters.

Convenience Translation

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

Ernst & Young ShinNihon LLC

September 24, 2019
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET

As of June 30, 2019

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 6 and 18)	¥ 3,985,335	¥ 48,833,358	\$ 453,041
Cash and bank deposits in trust (Notes 6 and 18)	7,079,268	6,766,348	62,773
Accounts receivable	583,012	647,210	6,004
Rental receivables	2,591,368	2,758,865	25,594
Deposits paid	-	371,720	3,448
Prepaid expenses	539,442	483,656	4,487
Income taxes receivable	172,912	168,970	1,567
Consumption taxes receivable	434,326	-	-
Other	0	-	-
Allowance for doubtful accounts	(86)	(148)	(1)
Total current assets	15,385,582	60,029,983	556,916
Non-current assets:			
Property and equipment (Notes 7 and 8):			
Buildings, at cost	-	19,142,244	177,588
Buildings and accompanying facilities, at cost	-	5,111,168	47,417
Tools, furniture and fixtures, at cost	3,192	1,069,418	9,921
Construction in progress	-	9,817	91
Buildings in trust, at cost	144,380,745	130,105,036	1,207,023
Buildings and accompanying facilities in trust, at cost	32,567,092	29,757,547	276,069
Structures in trust, at cost	228,964	227,665	2,112
Tools, furniture and fixtures in trust, at cost	1,690,363	1,816,296	16,850
Land in trust	203,881,464	199,037,787	1,846,532
Construction in progress in trust	-	14,364	133
Subtotal	382,751,823	386,291,346	3,583,740
Less: Accumulated depreciation	(20,117,593)	(21,466,694)	(199,152)
Total property and equipment, net	362,634,229	364,824,652	3,384,587
Intangible assets:			
Leasehold rights	-	10,637,811	98,690
Leasehold rights in trust	20,015,700	12,864,608	119,348
Total intangible assets	20,015,700	23,502,420	218,038
Investments and other assets:			
Investment securities (Note 19 and 23)	54,640,213	17,856,387	165,659
Guarantee deposits	1,700,670	803,721	7,456
Long-term prepaid expenses	708,191	601,259	5,578
Derivatives assets (Note 20)	216,555	255,404	2,369
Other	22,667	22,667	210
Total investments and other assets	57,288,298	19,539,440	181,273
Total non-current assets	439,938,228	407,866,513	3,783,899
Deferred assets:			
Investment corporation bond issuance costs	38,985	35,478	329
Total deferred assets	38,985	35,478	329
TOTAL ASSETS	¥ 455,362,796	¥ 467,931,975	\$ 4,341,144

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Accounts payable	¥ 431,891	¥ 511,902	\$ 4,749
Short-term loans payable (Note 10)	1,099,000	-	-
Current portion of long-term loans payable (Note 10)	54,745,000	51,744,000	480,044
Accounts payable-other	651,992	136,155	1,263
Accrued expenses	200,203	362,920	3,366
Income taxes payable	605	605	5
Consumption taxes payable	-	2,764,397	25,646
Advances received	571,668	454,614	4,217
Deposits received	134,085	26,159	242
Total current liabilities	57,834,445	56,000,754	519,535
Non-current liabilities:			
Investment corporation bonds (Note 9)	4,000,000	4,000,000	37,109
Long-term loans payable (Notes 10 and 18)	170,029,000	173,030,000	1,605,250
Tenant leasehold and security deposits in trust (Note 18)	2,009,816	1,746,941	16,206
Tenant leasehold and security deposits (Note 18)	92,525	75,543	700
Asset retirement obligations (Note 21)	32,107	32,321	299
Total non-current liabilities	176,163,449	178,884,805	1,659,567
TOTAL LIABILITIES	233,997,895	234,885,560	2,179,103
NET ASSETS (Note 11)			
Unitholders' equity:			
Unitholders' capital	211,092,540	211,092,540	1,958,368
Surplus:			
Capital surplus	6,264,432	6,264,432	58,117
Allowance for temporary differences	(46,329)	(131,332)	(1,218)
Adjustment (Note 4)	(5,194,798)	(5,398,804)	(50,086)
Other deduction of capital surplus	(5,241,128)	(5,530,137)	(51,304)
Capital surplus (net)	1,023,303	734,294	6,812
Voluntary reserve			
Retained earnings	9,140,372	21,131,966	196,047
Total surplus	10,163,675	21,866,261	202,859
Total unitholders' equity	221,256,215	232,958,801	2,161,228
Valuation and translation adjustments:			
Deferred gains or losses on hedges	108,684	87,612	812
Total valuation and translation adjustments	108,684	87,612	812
TOTAL NET ASSETS	221,364,900	233,046,414	2,162,041
TOTAL LIABILITIES AND NET ASSETS	¥ 455,362,796	¥ 467,931,975	\$ 4,341,144

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

INVINCIBLE INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the six months ended June 30, 2019

	For the six months ended		
	December 31,	June 30,	June 30,
	2018	2019	2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rental revenue—real estate (Note 13)	¥ 13,604,224	¥ 12,153,399	\$ 112,750
Management contract revenue (Note 14)	-	580,588	5,386
Gain on sales of properties (Note 15)	-	11,117,983	103,144
Dividend income	846,780	827,477	7,676
Distribution income	-	2,660,220	24,679
Total operating revenue	14,451,005	27,339,670	253,638
Operating expenses			
Property related expenses (Note 13)	4,450,676	4,490,658	41,661
Management contract expenses (Note 14)	-	164,376	1,524
Asset management fees	275,000	300,000	2,783
Directors' compensation	5,200	4,800	44
Asset custody fees	18,645	22,233	206
Administrative service fees	52,607	47,312	438
Provision of allowance for doubtful accounts	86	148	1
Other	134,032	125,069	1,160
Total operating expenses	4,936,248	5,154,599	47,820
Operating income	9,514,756	22,185,070	205,817
Non-operating income			
Interest income	82	811	7
Foreign exchange gains	34,468	-	-
Interest on tax refund	72	1,005	9
Other	906	800	7
Total non-operating income	35,528	2,617	24
Non-operating expenses			
Interest expenses	555,811	588,555	5,460
Foreign exchange losses	-	33,648	312
Interest expenses on investment corporation bonds	8,490	11,405	105
Amortization of investment corporation bond issuance costs	2,625	3,506	32
Loan-related costs	407,683	310,089	2,876
Investment unit issuance costs	186,997	-	-
Other-non-operating expenses	3,999	0	0
Total non-operating expenses	1,165,608	947,206	8,787
Ordinary income	8,384,676	21,240,482	197,054
Extraordinary income			
Subsidy income	-	115,319	1,069
Total extraordinary income	-	115,319	1,069
Extraordinary losses			
Loss on reduction entry of non-current assets	-	115,319	1,069
Total extraordinary losses	-	115,319	1,069
Income before income taxes	8,384,676	21,240,482	197,054
Income taxes (Note 16):			
Current	605	605	5
Total income taxes	605	605	5
Net income	8,384,071	21,239,877	197,048
Retained earnings / losses brought forward	756,300	(107,910)	(1,001)
Unappropriated retained earnings / losses (Note 12)	¥ 9,140,372	¥ 21,131,966	\$ 196,047

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

For the six months ended June 30, 2019

	Unitholders' equity				Valuation and translation adjustments		
	Surplus		Own investment units	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
	Retained earnings	Total surplus					
	(in thousands of yen)						
Balance as of July 1, 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
Changes during the period							
Distributions from surplus	(9,248,282)	(9,248,282)		(9,248,282)			(9,248,282)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(85,002)		(85,002)			(85,002)
Other distributions in excess of retained earnings		(204,006)		(204,006)			(204,006)
Net income	21,239,877	21,239,877		21,239,877			21,239,877
Changes other than unitholders' equity (net)					(21,072)	(21,072)	(21,072)
Total changes during the period	11,991,594	11,702,585	-	11,702,585	(21,072)	(21,072)	11,681,513
Balance as of June 30, 2019	¥ 21,131,966	¥ 21,866,261	¥ -	¥ 232,958,801	¥ 87,612	¥ 87,612	¥ 233,046,414

	Unitholders' equity					
	Surplus					
		Capital surplus				
Unitholders' capital		Deduction of capital surplus				
	Capital surplus	Allowance for temporary differences adjustment	Other deduction of capital surplus	Deduction of capital surplus		Capital surplus (net)
	(in thousands of U.S dollars)					
Balance as of December 31, 2018	\$ 1,958,368	\$ 58,117	\$ (429)	\$ (48,193)	\$ (48,623)	\$ 9,493
Changes during the period						
Distributions from surplus						
Distributions in excess of retained earnings from allowance for temporary differences adjustment			(788)		(788)	(788)
Other distributions in excess of retained earnings				(1,892)	(1,892)	(1,892)
Net income						
Changes other than unitholders' equity(net)						
Total changes during the period	-	-	(788)	(1,892)	(2,681)	(2,681)
Balance as of June 30, 2019	\$ 1,958,368	\$ 58,117	\$ (1,218)	\$ (50,086)	\$ (51,304)	\$ 6,812

	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 December 31, 2018	\$ 84,797	\$ 94,291	\$ -	2,052,659	\$ 1,008	\$ 1,008	\$ 2,053,668
Changes during the period							
Distributions from surplus	(85,799)	(85,799)		(85,799)			(85,799)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(788)		(788)			(788)
Other distributions in excess of retained earnings		(1,892)		(1,892)			(1,892)
Net income	197,048	197,048		197,048			197,048
Changes other than unitholders' equity(net)					(195)	(195)	(195)
Total changes during the period	111,249	108,568	-	108,568	(195)	(195)	108,372
Balance as of June 30, 2019	\$ 196,047	\$ 202,859	\$ -	\$ 2,161,228	\$ 812	\$ 812	\$ 2,162,041

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS For the six months ended June 30, 2019

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 8,384,676	¥ 21,240,482	\$ 197,054
Depreciation and amortization	3,039,033	3,168,320	29,393
Loss on reduction entry of non-current assets	-	115,319	1,069
Investment unit issuance costs	186,997	-	-
Amortization of investment corporation bond issuance costs	2,625	3,506	32
Loan-related costs	407,683	310,089	2,876
Interest income	(82)	(811)	(7)
Interest expenses	564,302	599,960	5,566
Changes in assets and liabilities			
Foreign exchange losses (gains)	(7,261)	(23,481)	(217)
Increase (decrease) in allowance for doubtful accounts	(3)	62	0
Decrease (increase) in rental receivables	(764,772)	285,339	2,647
Decrease (increase) in deposits paid	-	96,470	894
Decrease (increase) in receivable income taxes	(23,292)	3,830	35
Decrease (increase) in consumption taxes receivable	(434,326)	434,326	4,029
Increase (decrease) in accounts payable	(32,970)	22,952	212
Increase (decrease) in consumption taxes payable	(14,902)	2,764,397	25,646
Increase (decrease) in accounts payable-other	(49,755)	40,334	374
Increase (decrease) in accrued expenses	(2,611)	118,454	1,098
Increase (decrease) in advances received	20,161	(117,053)	(1,085)
Increase (decrease) in deposits received	(75,818)	(347,981)	(3,228)
Decrease in property and equipment in trust due to sale	-	21,268,952	197,318
Decrease in leasehold rights in trust due to sale	-	7,047,749	65,384
Other, net	9,283	(617,969)	(5,733)
Subtotal	11,208,966	56,413,251	523,362
Interest income received	82	811	7
Interest expenses paid	(553,985)	(603,432)	(5,598)
Income taxes paid	(605)	(605)	(5)
Net cash provided by operating activities	10,654,458	55,810,025	517,766
Cash flows from investing activities:			
Purchases of property and equipment in trust	(45,485,560)	(1,302,310)	(12,081)
Purchases of leasehold rights in trust	(3,421,194)	-	-
Repayments of tenant leasehold and security deposits in trust	(64,862)	(323,779)	(3,003)
Proceeds from tenant leasehold and security deposits in trust	49,032	61,654	571
Payments of tenant leasehold and security deposits	(19,105)	-	-
Collection of tenant leasehold and security deposits	-	896,949	8,321
Payments of TK investment	(37,534,886)	-	-
Proceeds from withdrawal of TK investment	751,060	-	-
Other, net	(12,784)	(58,789)	(545)
Net cash used in investing activities	(85,738,300)	(726,275)	(6,737)
Cash flows from financing activities:			
Proceeds from short-term loans payable	1,099,000	-	-
Repayments of short-term loans payable	(2,000,000)	(1,099,000)	(10,195)
Proceeds from long-term loans payable	68,338,000	17,684,000	164,059
Repayments of long-term loans payable	(28,979,000)	(17,684,000)	(164,059)
Proceeds from issuance of investment corporation bonds	1,980,352	-	-
Payments for loan-related costs	(804,736)	(167,123)	(1,550)
Payments for Acquisition of Own investment units	(3,999,980)	-	-
Payments of distributions of earnings	(6,664,830)	(8,993,502)	(83,435)
Payments of distributions in excess of retained earnings from allowance for temporary differences adjustment	-	(85,002)	(788)
Payments of other distributions in excess of retained earnings	-	(204,006)	(1,892)
Proceeds from issuance of investment units	42,107,087	-	-
Net cash provided by (used in) financing activities	71,075,892	(10,548,635)	(97,862)
Effect of exchange rate change on cash and cash equivalents	-	(12)	0
Net increase (decrease) in cash and cash equivalents	(4,007,949)	44,535,115	413,165
Cash and cash equivalents at beginning of period	15,072,553	11,064,604	102,649
Cash and cash equivalents at end of period (Note 6)	¥ 11,064,604	¥ 55,599,707	\$ 515,815

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

INVINCIBLE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of and for the six months ended June 30, 2019

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 of ¥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 of ¥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:

	For the six months ended
	June 30, 2019
Buildings	16-50
Buildings and accompanying facilities	5-29
Tools, furniture and fixtures	4-10
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

Amortization of a domestic 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.

No taxes on property and equipment were capitalized for the six months ended June 30, 2019.

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 ¥107.79 = US\$1, the effective rate of exchange prevailing at June 30, 2019. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2019 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 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)	

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 June 30, 2019

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	¥ (131,332)	¥ (46,329)	¥ (85,002)	-	¥ (131,332)	-

Total		¥ (131,332)	¥ (46,329)	¥ (85,002)	-	¥ (131,332)	
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(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	\$ (1,218)	\$ (429)	\$ (788)	-	\$ (1,218)	-
Total		\$ (1,218)	\$ (429)	\$ (788)	-	\$ (1,218)	

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		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Total number of investment units cancelled	81,341	-	-
Total amount cancelled	¥ 3,999,980	¥ -	\$ -

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		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 3,985,335	¥ 48,833,358	\$ 453,041
Cash and bank deposits in trust	7,079,268	6,766,348	62,773
Cash and cash equivalents	¥ 11,064,604	¥ 55,599,707	\$ 515,815

7. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended June 30, 2019.

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of yen)						
Buildings	¥ -	¥ 19,142,244	¥ -	¥ 19,142,244	¥ 62,908	¥ 62,908	¥ 19,079,335
Buildings and accompanying facilities	-	5,111,168	-	5,111,168	42,886	42,886	5,068,281
Tools, furniture and fixtures	3,192	1,066,225	-	1,069,418	14,924	14,254	1,054,494
Leasehold rights	-	10,637,811	-	10,637,811	-	-	10,637,811
Construction in progress	-	9,817	-	9,817	-	-	9,817
Buildings in trust	144,380,745	464,106	14,739,815	130,105,036	13,178,580	1,783,951	116,926,456

Buildings and accompanying facilities in trust	32,567,092	535,596	3,345,141	29,757,547	7,460,526	1,034,766	22,297,021
Structures in trust	228,964	5,957	7,256	227,665	94,980	6,121	132,685
Tools, furniture and fixtures in trust	1,690,363	174,658	48,725	1,816,296	611,887	120,088	1,204,408
Land in trust	203,881,464	-	4,843,676	199,037,787	-	-	199,037,787
Leasehold rights in trust	20,500,965	-	7,394,198	13,106,766	242,158	103,342	12,864,608
Construction in progress in trust	-	14,364	-	14,364	-	-	14,364
Total	<u>¥ 403,252,788</u>	<u>¥ 37,161,951</u>	<u>¥ 30,378,814</u>	<u>¥ 410,035,925</u>	<u>¥ 21,708,852</u>	<u>¥ 3,168,320</u>	<u>¥ 388,327,072</u>

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of U.S dollars)						
Buildings	\$ -	\$ 177,588	\$ -	\$ 177,588	\$ 583	\$ 583	\$ 177,004
Buildings and accompanying facilities	-	47,417	-	47,417	397	397	47,019
Tools, furniture and fixtures	29	9,891	-	9,921	138	132	9,782
Leasehold rights	-	98,690	-	98,690	-	-	98,690
Construction in progress	-	91	-	91	-	-	91
Buildings in trust	1,339,463	4,305	136,745	1,207,023	122,261	16,550	1,084,761
Buildings and accompanying facilities in trust	302,134	4,968	31,033	276,069	69,213	9,599	206,856
Structures in trust	2,124	55	67	2,112	881	56	1,230
Tools, furniture and fixtures in trust	15,682	1,620	452	16,850	5,676	1,114	11,173
Land in trust	1,891,469	-	44,936	1,846,532	-	-	1,846,532
Leasehold rights in trust	190,193	-	68,598	121,595	2,246	958	119,348
Construction in progress in trust	-	133	-	133	-	-	133
Total	\$ 3,741,096	\$ 344,762	\$ 281,833	\$ 3,804,025	\$ 201,399	\$ 29,393	\$ 3,602,626

Increases in the net book values are mainly due to the changes of investment structure for the Cayman Islands hotels and capitalized expenditures.

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 December 31, 2018 and June 30, 2019.

Residential

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 86,569,109	¥ 85,908,280	\$ 796,996
Net increase (decrease) during period	(660,828)	(28,986,463)	(268,916)
Balance at the end of period	85,908,280	56,921,817	528,080
Fair value	<u>¥ 102,440,000</u>	<u>¥ 72,197,000</u>	<u>\$ 669,793</u>

Retail facilities

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 4,912,468	¥ 4,866,739	\$ 45,150
Net increase (decrease) during period	(45,728)	(41,503)	(385)
Balance at the end of period	4,866,739	4,825,236	44,765
Fair value	<u>¥ 6,170,000</u>	<u>¥ 6,140,000</u>	<u>\$ 56,962</u>

Hotel

As of / For the six months ended

	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 245,453,345	¥ 291,874,909	\$ 2,707,810
Net increase (decrease) during period	46,421,563	34,680,926	321,745
Balance at the end of period	291,874,909	326,555,836	3,029,555
Fair value	¥ 354,366,000	¥ 393,926,158	\$ 3,654,570

Total

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 336,934,923	¥ 382,649,930	\$ 3,549,957
Net increase (decrease) during period	45,715,006	5,652,960	52,444
Balance at the end of period	382,649,930	388,302,890	3,602,401
Fair value	¥ 462,580,000	¥ 472,263,158	\$ 4,381,326

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 December 31, 2018 and June 30, 2019, 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 June 30, 2019.

For the six months ended June 30, 2019

	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	9,277	9,277	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	9,277	9,277	0.800
3rd unsecured investment corporation bond (Issued on October 12, 2018 and due on October 12, 2023) (1)(3)	2,000,000	2,000,000	18,554	18,554	0.550
Total investment corporation bonds	4,000,000	4,000,000	37,109	37,109	

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	
	June 30, 2019	June 30, 2019
	(in thousands of yen)	(in thousands of U.S. dollars)
Within 1 year	¥ -	\$ -
1-2 years	-	-
2-3 years	-	-
3-4 years	1,000,000	9,277

4-5 years.....

2,000,000

18,554

10. Loans Payable

The following table shows the details of loans payable for the six months ended June 30, 2019.

For the six months ended June 30, 2019

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.	366,500	-	366,500	-	3,400	-	3,400	-	0.269	02-Aug-19	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	366,500	-	366,500	-	3,400	-	3,400	-	0.269	02-Aug-19		
	MUFG Bank, Ltd.	366,000	-	366,000	-	3,395	-	3,395	-	0.269	02-Aug-19		
	Total Short-term loans payable	1,099,000	-	1,099,000	-	10,195	-	10,195	-				
Long-term loans payable	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.480	16-Jul-19	(2)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.480	16-Jul-19		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.480	16-Jul-19		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	30,893	-	-	30,893	0.480	16-Jul-19		
	Citibank, N.A., Japan Branches	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.480	16-Jul-19		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	24,770	-	-	24,770	0.480	16-Jul-19		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,385	-	-	12,385	0.480	16-Jul-19		
	MUFG Bank, Ltd.	668,000	-	-	668,000	6,197	-	-	6,197	0.480	16-Jul-19		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.590	16-Jul-20		
	MUFG Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.590	16-Jul-20		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.590	16-Jul-20		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	30,893	-	-	30,893	0.590	16-Jul-20		
	Citibank, N.A., Japan Branches	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.590	16-Jul-20		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	24,770	-	-	24,770	0.590	16-Jul-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	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,385	-	-	12,385	0.590	16-Jul-20	(2)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	668,000	-	-	668,000	6,197	-	-	6,197	0.590	16-Jul-20		
	Mizuho Bank, Ltd.	3,682,000	-	-	3,682,000	34,159	-	-	34,159	0.480	28-Aug-19		
	Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	3,400,000	-	31,542	-	31,542	-	0.343	22-Jan-19		
	MUFG Bank, Ltd.	850,000	-	850,000	-	7,885	-	7,885	-	0.343	22-Jan-19		
	Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	-	3,400,000	31,542	-	-	31,542	0.600	22-Jan-21		
	MUFG Bank, Ltd.	850,000	-	-	850,000	7,885	-	-	7,885	0.600	22-Jan-21		
	Mizuho Bank, Ltd.	465,000	-	465,000	-	4,313	-	4,313	-	0.461	30-Mar-19		
	MUFG Bank, Ltd.	1,125,000	-	1,125,000	-	10,436	-	10,436	-	0.461	30-Mar-19		
	Sumitomo Mitsui Trust Bank, Limited	2,181,000	-	2,181,000	-	20,233	-	20,233	-	0.461	30-Mar-19		
	Shinsei Bank, Limited.	570,000	-	570,000	-	5,288	-	5,288	-	0.461	30-Mar-19		
	Resona Bank, Limited.	570,000	-	570,000	-	5,288	-	5,288	-	0.461	30-Mar-19		
	MUFG Bank, Ltd.	650,000	-	650,000	-	6,030	-	6,030	-	0.461	30-Mar-19		
	Japan Post Bank Co., Ltd.	2,000,000	-	2,000,000	-	18,554	-	18,554	-	0.461	30-Mar-19		
	Development Bank of Japan Inc.	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.461	30-Mar-19		
	The Bank of Fukuoka, Ltd.	333,000	-	333,000	-	3,089	-	3,089	-	0.461	30-Mar-19		
	The Shizuoka Bank, Ltd.	1,270,000	-	1,270,000	-	11,782	-	11,782	-	0.461	30-Mar-19		
	The Daiichi Bank, Ltd.	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.461	30-Mar-19		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	270,000	-	2,504	-	2,504	-	0.461	30-Mar-19		
	Mizuho Bank, Ltd.	965,000	-	-	965,000	8,952	-	-	8,952	0.569	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.	1,125,000	-	-	1,125,000	10,436	-	-	10,436	0.569	30-Mar-20	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	2,180,000	-	-	2,180,000	20,224	-	-	20,224	0.569	30-Mar-20		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.569	30-Mar-20		
	Resona Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.569	30-Mar-20		
	MUFG Bank, Ltd.	650,000	-	-	650,000	6,030	-	-	6,030	0.569	30-Mar-20		
	Japan Post Bank Co., Ltd.	2,000,000	-	-	2,000,000	18,554	-	-	18,554	0.569	30-Mar-20		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	30-Mar-20		
	The Shizuoka Bank, Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.569	30-Mar-20		
	The Kagawa Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.569	30-Mar-20		
	The Hyogo Bank, Ltd.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	30-Mar-20		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.569	30-Mar-20		
	Mizuho Bank, Ltd.	1,965,000	-	-	1,965,000	18,229	-	-	18,229	0.669	30-Mar-21		
	MUFG Bank, Ltd.	1,125,000	-	-	1,125,000	10,436	-	-	10,436	0.669	30-Mar-21		
	Sumitomo Mitsui Trust Bank, Limited	2,180,000	-	-	2,180,000	20,224	-	-	20,224	0.669	30-Mar-21		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.669	30-Mar-21		
	Resona Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.669	30-Mar-21		
	MUFG Bank, Ltd.	650,000	-	-	650,000	6,030	-	-	6,030	0.669	30-Mar-21		
	The Bank of Fukuoka, Ltd.	1,333,000	-	-	1,333,000	12,366	-	-	12,366	0.669	30-Mar-21		
	The Shizuoka Bank, Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.669	30-Mar-21		
	The Kagawa Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.669	30-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 Hiroshima Bank, Ltd.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.669	30-Mar-21	(2)	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.669	30-Mar-21		
	Citibank, N.A., Japan Branches	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.469	15-Jun-19		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	15-Jun-20		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.669	15-Jun-21		
	Development Bank of Japan Inc.	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.469	30-Jun-19		
	AEON Bank, Ltd.	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.669	30-Jun-21		
	The Tokyo Star Bank, Limited	700,000	-	-	700,000	6,494	-	-	6,494	0.469	20-Jul-19		
	The Tokyo Star Bank, Limited	1,600,000	-	-	1,600,000	14,843	-	-	14,843	0.569	20-Jul-20		
	The Tokyo Star Bank, Limited	1,700,000	-	-	1,700,000	15,771	-	-	15,771	0.669	20-Jul-21		
	Mizuho Bank, Ltd.	634,000	-	-	634,000	5,881	-	-	5,881	0.469	14-Mar-20		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.469	14-Mar-20		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	14-Mar-20		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	14-Mar-20		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	14-Mar-20		
	The Tokai Bank, Ltd.	252,000	-	-	252,000	2,337	-	-	2,337	0.469	14-Mar-20		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,855	-	-	1,855	0.469	14-Mar-20		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,530	-	-	1,530	0.469	14-Mar-20		
	Mizuho Bank, Ltd.	1,633,000	-	-	1,633,000	15,149	-	-	15,149	0.569	14-Mar-21		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	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 Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	14-Mar-21	(2)	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	14-Mar-21		
	The Tokai Bank, Ltd.	253,000	-	-	253,000	2,347	-	-	2,347	0.569	14-Mar-21		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,855	-	-	1,855	0.569	14-Mar-21		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,530	-	-	1,530	0.569	14-Mar-21		
	Mizuho Bank, Ltd.	1,733,000	-	-	1,733,000	16,077	-	-	16,077	0.669	14-Mar-22		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	14-Mar-22		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	14-Mar-22		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	14-Mar-22		
	AEON Bank, Ltd.	900,000	-	-	900,000	8,349	-	-	8,349	0.669	14-Mar-22		
	The Tokai Bank, Ltd.	253,000	-	-	253,000	2,347	-	-	2,347	0.669	14-Mar-22		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,855	-	-	1,855	0.669	14-Mar-22		
	The Dai-ichi Life Insurance company, Limited	500,000	-	-	500,000	4,638	-	-	4,638	0.669	14-Mar-22		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,530	-	-	1,530	0.669	14-Mar-22		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.519	14-Sep-20		
	Mizuho Bank, Ltd.	4,321,000	-	-	4,321,000	40,087	-	-	40,087	0.619	29-Nov-21		
	The Dai-ichi Life Insurance company, Limited	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.619	29-Nov-21		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,293	-	-	3,293	0.369	13-Oct-20		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,293	-	-	3,293	0.369	13-Oct-20		
	Resona Bank, Limited.	334,000	-	-	334,000	3,098	-	-	3,098	0.369	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	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,783	-	-	2,783	0.369	13-Oct-20	(2)	Unsecured and unguaranteed
	AEON Bank, Ltd.	190,000	-	-	190,000	1,762	-	-	1,762	0.369	13-Oct-20		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.369	13-Oct-20		
	The Hiroshima Bank, Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.369	13-Oct-20		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,293	-	-	3,293	0.469	13-Oct-21		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,293	-	-	3,293	0.469	13-Oct-21		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	13-Oct-21		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,783	-	-	2,783	0.469	13-Oct-21		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,762	-	-	1,762	0.469	13-Oct-21		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.469	13-Oct-21		
	The Hiroshima Bank, Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.469	13-Oct-21		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,293	-	-	3,293	0.669	13-Oct-22		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,293	-	-	3,293	0.669	13-Oct-22		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	13-Oct-22		
	Development Bank of Japan Inc.	1,500,000	-	-	1,500,000	13,915	-	-	13,915	0.669	13-Oct-22		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,783	-	-	2,783	0.669	13-Oct-22		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,762	-	-	1,762	0.669	13-Oct-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	The Nomura Trust and Banking Co., Ltd.	166,000	-	-	166,000	1,540	-	-	1,540	0.669	13-Oct-22	(2)	Unsecured and unguaranteed
	The Hiroshima Bank, Ltd.	166,000	-	-	166,000	1,540	-	-	1,540	0.669	13-Oct-22		
	The Dai-ichi Life Insurance company, Limited	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Mizuho Bank, Ltd.	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.769	13-Oct-23		
	Sumitomo Mitsui Trust Bank, Limited	1,065,000	-	-	1,065,000	9,880	-	-	9,880	0.769	13-Oct-23		
	Sumitomo Mitsui Banking Corporation	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.769	13-Oct-23		
	Mizuho Bank, Ltd.	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.869	11-Oct-24		
	Sumitomo Mitsui Trust Bank, Limited	1,060,000	-	-	1,060,000	9,833	-	-	9,833	0.869	11-Oct-24		
	Sumitomo Mitsui Banking Corporation	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.869	11-Oct-24		
	Mizuho Bank, Ltd.	1,850,000	-	-	1,850,000	17,163	-	-	17,163	0.319	13-Oct-19		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	17,163	-	-	17,163	0.319	13-Oct-19		
	Shinsei Bank, Limited.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.750	27-Jun-23		
	MUFG Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.750	27-Jun-23		
	Mizuho Bank, Ltd.	2,442,000	-	-	2,442,000	22,655	-	-	22,655	0.369	17-Jul-21		
	MUFG Bank, Ltd.	2,220,000	-	-	2,220,000	20,595	-	-	20,595	0.369	17-Jul-21		
	Sumitomo Mitsui Banking Corporation	1,998,000	-	-	1,998,000	18,536	-	-	18,536	0.369	17-Jul-21		
	Shinsei Bank, Limited.	1,110,000	-	-	1,110,000	10,297	-	-	10,297	0.369	17-Jul-21		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.369	17-Jul-21		
	Sumitomo Mitsui Trust Bank, Limited	890,000	-	-	890,000	8,256	-	-	8,256	0.369	17-Jul-21		
	Mizuho Bank, Ltd.	2,443,000	-	-	2,443,000	22,664	-	-	22,664	0.469	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	MUFG Bank, Ltd.	2,220,000	-	-	2,220,000	20,595	-	-	20,595	0.469	17-Jul-22	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,997,000	-	-	1,997,000	18,526	-	-	18,526	0.469	17-Jul-22		
	Shinsei Bank, Limited.	1,110,000	-	-	1,110,000	10,297	-	-	10,297	0.469	17-Jul-22		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.469	17-Jul-22		
	Sumitomo Mitsui Trust Bank, Limited	890,000	-	-	890,000	8,256	-	-	8,256	0.469	17-Jul-22		
	Mizuho Bank, Ltd.	2,442,000	-	-	2,442,000	22,655	-	-	22,655	0.569	14-Jul-23		
	MUFG Bank, Ltd.	2,220,000	-	-	2,220,000	20,595	-	-	20,595	0.569	14-Jul-23		
	Sumitomo Mitsui Banking Corporation	1,997,000	-	-	1,997,000	18,526	-	-	18,526	0.569	14-Jul-23		
	Shinsei Bank, Limited.	1,110,000	-	-	1,110,000	10,297	-	-	10,297	0.569	14-Jul-23		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	14-Jul-23		
	Sumitomo Mitsui Trust Bank, Limited	890,000	-	-	890,000	8,256	-	-	8,256	0.569	14-Jul-23		
	Mizuho Bank, Ltd.	766,000	-	-	766,000	7,106	-	-	7,106	0.369	02-Aug-21		
	Sumitomo Mitsui Banking Corporation	766,000	-	-	766,000	7,106	-	-	7,106	0.369	02-Aug-21		
	MUFG Bank, Ltd.	467,000	-	-	467,000	4,332	-	-	4,332	0.369	02-Aug-21		
	Shinsei Bank, Limited.	150,000	-	-	150,000	1,391	-	-	1,391	0.369	02-Aug-21		
	Citibank, N.A., Japan Branches	120,000	-	-	120,000	1,113	-	-	1,113	0.369	02-Aug-21		
	The Nomura Trust and Banking Co., Ltd.	30,000	-	-	30,000	278	-	-	278	0.369	02-Aug-21		
	AEON Bank, Ltd.	60,000	-	-	60,000	556	-	-	556	0.369	02-Aug-21		
Mizuho Bank, Ltd.	2,521,500	-	-	2,521,500	23,392	-	-	23,392	0.369	26-Sep-21			
Sumitomo Mitsui Banking Corporation	2,521,500	-	-	2,521,500	23,392	-	-	23,392	0.369	26-Sep-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	MUFG Bank, Ltd.	2,133,000	-	-	2,133,000	19,788	-	-	19,788	0.369	26-Sep-21	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.369	26-Sep-21		
	Shinsei Bank, Limited.	684,000	-	-	684,000	6,345	-	-	6,345	0.369	26-Sep-21		
	Citibank, N.A., Japan Branches	546,000	-	-	546,000	5,065	-	-	5,065	0.369	26-Sep-21		
	Development Bank of Japan Inc.	500,000	-	-	500,000	4,638	-	-	4,638	0.369	26-Sep-21		
	Resona Bank, Limited.	445,000	-	-	445,000	4,128	-	-	4,128	0.369	26-Sep-21		
	The Nomura Trust and Banking Co., Ltd.	137,000	-	-	137,000	1,270	-	-	1,270	0.369	26-Sep-21		
	AEON Bank, Ltd.	273,000	-	-	273,000	2,532	-	-	2,532	0.369	26-Sep-21		
	Mizuho Bank, Ltd.	3,287,000	-	-	3,287,000	30,494	-	-	30,494	0.469	26-Sep-22		
	Sumitomo Mitsui Banking Corporation	3,287,000	-	-	3,287,000	30,494	-	-	30,494	0.469	26-Sep-22		
	MUFG Bank, Ltd.	2,600,000	-	-	2,600,000	24,120	-	-	24,120	0.469	26-Sep-22		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.469	26-Sep-22		
	Shinsei Bank, Limited.	833,000	-	-	833,000	7,727	-	-	7,727	0.469	26-Sep-22		
	Citibank, N.A., Japan Branches	667,000	-	-	667,000	6,187	-	-	6,187	0.469	26-Sep-22		
	Development Bank of Japan Inc.	500,000	-	-	500,000	4,638	-	-	4,638	0.469	26-Sep-22		
	Resona Bank, Limited.	445,000	-	-	445,000	4,128	-	-	4,128	0.469	26-Sep-22		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.469	26-Sep-22		
	AEON Bank, Ltd.	334,000	-	-	334,000	3,098	-	-	3,098	0.469	26-Sep-22		
	Mizuho Bank, Ltd.	3,287,500	-	-	3,287,500	30,499	-	-	30,499	0.569	26-Sep-23		
	Sumitomo Mitsui Banking Corporation	3,287,500	-	-	3,287,500	30,499	-	-	30,499	0.569	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	MUFG Bank, Ltd.	2,600,000	-	-	2,600,000	24,120	-	-	24,120	0.569	26-Sep-23	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	26-Sep-23		
	Shinsei Bank, Limited.	833,000	-	-	833,000	7,727	-	-	7,727	0.569	26-Sep-23		
	Citibank, N.A., Japan Branches	667,000	-	-	667,000	6,187	-	-	6,187	0.569	26-Sep-23		
	Development Bank of Japan Inc.	500,000	-	-	500,000	4,638	-	-	4,638	0.569	26-Sep-23		
	Resona Bank, Limited.	445,000	-	-	445,000	4,128	-	-	4,128	0.569	26-Sep-23		
	The Nomura Trust and Banking Co., Ltd.	166,000	-	-	166,000	1,540	-	-	1,540	0.569	26-Sep-23		
	AEON Bank, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	26-Sep-23		
	MUFG Bank, Ltd.	-	850,000	-	850,000	-	7,885	-	7,885	0.373	22-Jan-22		
	Sumitomo Mitsui Trust Bank, Limited	-	3,400,000	-	3,400,000	-	31,542	-	31,542	0.373	22-Jan-22		
	Mizuho Bank, Ltd.	-	386,000	-	386,000	-	3,581	-	3,581	0.361	29-Mar-22		
	MUFG Bank, Ltd.	-	1,275,000	-	1,275,000	-	11,828	-	11,828	0.361	29-Mar-22		
	Sumitomo Mitsui Trust Bank, Limited	-	2,100,000	-	2,100,000	-	19,482	-	19,482	0.361	29-Mar-22		
	Shinsei Bank, Limited.	-	500,000	-	500,000	-	4,638	-	4,638	0.361	29-Mar-22		
	Resona Bank, Limited.	-	500,000	-	500,000	-	4,638	-	4,638	0.361	29-Mar-22		
	Development Bank of Japan Inc.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.361	29-Mar-22		
	The Bank of Fukuoka, Ltd.	-	333,000	-	333,000	-	3,089	-	3,089	0.361	29-Mar-22		
	The Shizuoka Bank, Ltd.	-	1,270,000	-	1,270,000	-	11,782	-	11,782	0.361	29-Mar-22		
	The Nomura Trust and Banking Co., Ltd.	-	270,000	-	270,000	-	2,504	-	2,504	0.361	29-Mar-22		
	The Sengshu Ikeda Bank, Ltd.	-	300,000	-	300,000	-	2,783	-	2,783	0.361	29-Mar-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	Aozora Bank, Ltd.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.594	29-Mar-24	(2)	Unsecured and unguaranteed
	THE NISHI-NIPPON CITY BANK, LTD.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.594	29-Mar-24		
	The Tohoku Bank, Ltd.	-	500,000	-	500,000	-	4,638	-	4,638	0.594	29-Mar-24		
	Kiraboshi Bank, Ltd.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.869	29-Mar-29		
	Citibank, N.A., Japan Branches	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.340	17-Jun-22		
	Development Bank of Japan Inc.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.334	17-Jun-22		
	Total long-term loans payable	224,774,000	17,684,000	17,684,000	224,774,000	2,085,295	164,059	164,059	2,085,295				
Total loans payable		225,873,000	17,684,000	18,783,000	224,774,000	2,095,491	164,059	174,255	2,085,295				

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			
		June 30, 2019	June 30, 2019
		(in thousands of yen)	(in thousands of U.S. dollars)
1-2 years	¥	57,380,000	\$ 532,331
2-3 years		52,602,000	488,004
3-4 years		29,645,000	275,025
4-5 years		28,843,000	267,585

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\$463 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 December 31, 2018 and June 30, 2019.

The number of investment units issued and outstanding were 5,666,840 as of December 31, 2018 and June 30, 2019 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 December 31, 2018 and June 30, 2019.

For the six months ended		
December 31,	June 30,	June 30,

	2018	2019	2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 9,140,372	¥ 21,131,966	\$ 196,047
Reversal of allowance for temporary differences adjustment	-	(125,201)	(1,161)
Distributions in excess of retained earnings			
Allowance for temporary differences adjustment	(85,002)	-	-
Deduction from unitholders capital surplus	(204,006)	-	-
Distributions	(9,537,291)	(9,384,287)	(87,060)
Of which, distributions of earnings	(9,248,282)	(9,384,287)	(87,060)
Of which, allowance for adjustment of temporary differences	(85,002)	-	-
Of which, deduction from unitholders capital surplus	(204,006)	-	-
Retained earnings / losses carried forward	¥ (107,910)	¥ 11,622,477	\$ 107,825

The distribution in respect of the six months ended June 30, 2019 of ¥1,656 (US\$15.3) per investment unit, amounting to a total distribution of ¥9,384,287 thousand (US\$87,060 thousand) was proposed and approved at the Board of Directors meeting on August 22, 2019. These financial statements do not reflect these distributions payable.

Cash distributions per investment unit were ¥1,683 and ¥1,656 (US\$15.3) for the six months ended December 31, 2018, and June 30, 2019, respectively.

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

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

(b) Method of reversal

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

For the six months ended June 30, 2019

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

(c) Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason for reversal	Allowance for temporary difference adjustments
Leasehold rights in trust	Sale of leasehold in trust	(125,201)

(in thousands of U.S. dollars)

Related assets, etc.	Reason for reversal	Allowance for temporary difference adjustments
Leasehold rights in trust	Sale of leasehold in trust	(1,161)

(d) 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 December 31, 2018 and June 30, 2019 consist of the following:

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges (*)	¥ 13,258,939	¥ 11,795,812	\$ 109,433
Other	345,284	357,587	3,317
Total rental revenue – real estate	¥ 13,604,224	¥ 12,153,399	\$ 112,750
Expenses related to property rental business:			
Facility management fees	¥ 667,393	¥ 662,160	\$ 6,143
Property related taxes	547,232	565,715	5,248
Insurance expense	13,817	13,723	127
Depreciation	3,039,033	3,048,495	28,281
Other	183,199	200,561	1,860
Total expenses related to property rental business	¥ 4,450,676	¥ 4,490,658	\$ 41,661
Operating income from property leasing activities	¥ 9,153,548	¥ 7,662,741	\$ 71,089
(*)Variable rental revenue of hotels	¥ 4,953,767	¥ 4,304,181	\$ 39,931

14. Management Contract Revenue

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Management contract revenue:			
Hotel management revenue	¥ -	¥ 1,406,749	\$ 13,050
Hotel management expenses	-	826,160	7,664
Management contract revenue	¥ -	¥ 580,588	\$ 5,386
Management contract expenses:			
Management fee	¥ -	¥ 3,490	\$ 32
Insurance expense	-	36,279	336
Depreciation	-	119,824	1,111
Other	-	4,782	44
Total management contract expenses	¥ -	¥ 164,376	\$ 1,524
Operating income from management contract	¥ -	¥ 416,211	\$ 3,861

15. Breakdown of Gain on sales of Properties

For the six months ended December 31, 2018

Not Applicable.

For the six months ended June 30, 2019

	Royal Parks Tower Minami-Senju	
	Spacia Ebisu	
	(in thousands of yen)	
Revenue from sales of properties	¥ 12,209,814	¥ 27,745,250
Cost of properties sold	6,422,775	21,923,169
Other sale-related costs	153,225	337,910
Gain or loss on sales of properties	¥ 5,633,813	¥ 5,484,169

	Spacia Ebisu	Royal Parks Tower Minami-Senju
	(in thousands of U.S. dollars)	
Revenue from sales of properties	\$ 113,274	\$ 257,400
Cost of properties sold	59,586	203,387
Other sale-related costs	1,421	3,134
Gain or loss on sales of properties	\$ 52,266	\$ 50,878

16. Income Taxes

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

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

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

	For the six months ended	
	December 31, 2018	June 30, 2019
	(Rate)	
Statutory tax rates	31.51 %	31.51 %
Deductible cash distributions	(31.84)	0.00
Increase (decrease) in valuation allowance	(0.35)	(31.58)
Change of tax rates	0.00	(0.05)
Other	0.69	0.12
Effective tax rates	0.01 %	0.00 %

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	¥ 1,294	¥ 1,294	\$ 12
Allowance for doubtful accounts	27	46	0
Buildings and other (merger)	549,474	428,965	3,979
Land (merger)	1,367,722	786,792	7,299
Net loss carried forward(*1)	7,153,149	747,198	6,931
Asset retirement obligations	10,142	10,168	94
Fixed-term leasehold	153,295	76,182	706
Adjustment of acquisition price (Overseas properties)	-	477,213	4,427
Subtotal - deferred tax assets	9,235,105	2,527,862	23,451
Valuation allowance for tax loss carried forward	(7,153,149)	(747,198)	(6,931)
Valuation allowance for the sum of deductible temporary differences	(2,037,871)	(1,743,389)	(16,173)
Subtotal - valuation allowance(*2)	(9,191,020)	(2,490,588)	(23,105)
Total - deferred tax assets	44,084	37,274	345
Deferred tax liabilities:			
Asset retirement obligations	9,751	9,711	90
Deferred gains or losses on hedges	34,333	27,562	255
Total - deferred tax liabilities	44,084	37,274	345

Net deferred tax assets	¥	-	¥	-	\$	-
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(*1)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	-	-	-	-	-	-	-

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

For the six month ended June 30, 2019

	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)	-	78,982	-	668,215	-	-	747,198
Valuation allowance	-	(78,982)	-	(668,215)	-	-	(747,198)
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)	-	732	-	6,199	-	-	6,931
Valuation allowance	-	(732)	-	(6,199)	-	-	(6,931)
Deferred tax assets	-	-	-	-	-	-	-

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

(*2)Valuation allowance decreased ¥6,700,432 thousand (US\$62,161 thousand).This main reason is the offset of the tax loss carried forward.

17. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of December 31, 2018 and June 30, 2019 scheduled to be received are summarized as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 9,754,753	¥ 9,754,753	\$ 90,497
Due over one year	63,134,893	58,695,396	544,534
Total	¥ 72,889,647	¥ 68,450,150	\$ 635,032

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of December 31, 2018 and June 30, 2019 scheduled to be paid are summarized as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of

			U.S. dollars)
Due within one year	¥ 312,959	¥ 268,487	\$ 2,490
Due over one year	9,934,076	7,824,534	72,590
Total	¥ 10,247,035	¥ 8,093,022	\$ 75,081

18. 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 December 31, 2018 and June 30, 2019.

	As of									
	December 31, 2018			June 30, 2019			June 30, 2019			
	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	¥ 3,985,335	¥ 3,985,335	¥ -	¥ 48,833,358	¥ 48,833,358	¥ -	\$ 453,041	\$ 453,041	\$ -	
(2) Cash and bank deposits in trust.	7,079,268	7,079,268	-	6,766,348	6,766,348	-	62,773	62,773	-	
Total assets	¥ 11,064,604	¥ 11,064,604	¥ -	¥ 55,599,707	¥ 55,599,707	¥ -	\$ 515,815	\$ 515,815	\$ -	
Liabilities:										
(3) Short-term loans payable	1,099,000	1,099,000	-	-	-	-	-	-	-	
(4) Current portion of long-term loans payable	54,745,000	54,745,000	-	51,744,000	51,744,000	-	480,044	480,044	-	
(5) Investment corporation bonds	4,000,000	3,996,500	(3,500)	4,000,000	4,005,300	5,300	37,109	37,158	49	
(6) Long-term loans payable	170,029,000	170,029,000	-	173,030,000	173,030,000	-	1,605,250	1,605,250	-	
Total liabilities	¥ 229,873,000	¥ 229,869,500	¥ (3,500)	¥ 228,774,000	¥ 228,779,300	¥ 5,300	\$ 2,122,404	\$ 2,122,453	\$ 49	
(7) Derivatives	¥ 124,029	¥ 124,029	¥ -	¥ 179,861	¥ 179,861	¥ -	\$ 1,668	\$ 1,668	\$ -	

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 "20. Derivatives" below.

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits in trust	¥ 2,009,816	¥ 1,746,941	\$ 16,206
Investment securities	¥ 54,640,213	¥ 17,856,387	\$ 165,659

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 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 December 31, 2018:						
Cash and bank deposits	¥ 3,985,335	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	7,079,268	-	-	-	-	-
Total	¥ 11,064,604	¥ -	¥ -	¥ -	¥ -	¥ -

As of June 30, 2019:						
Cash and bank deposits	¥ 48,833,358	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	6,766,348	-	-	-	-	-
Total	¥ 55,599,707	¥ -	¥ -	¥ -	¥ -	¥ -

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of June 30, 2019:						
Cash and bank deposits	\$ 453,041	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	62,773	-	-	-	-	-
Total	\$ 515,815	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of December 31, 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
As of June 30, 2019:						
Short-term loans payable	-	-	-	-	-	-
Current portion of long-term loans payable	51,744,000	-	-	-	-	-
Investment corporation bonds	-	-	-	1,000,000	2,000,000	1,000,000
Long-term loans payable	-	57,380,000	52,602,000	29,645,000	28,843,000	4,560,000
Total	¥ 51,744,000	¥ 57,380,000	¥ 52,602,000	¥ 30,645,000	¥ 30,843,000	¥ 5,560,000

	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 June 30, 2019:						
Short-term loans payable	-	-	-	-	-	-
Current portion of long-term loans payable ...	480,044	-	-	-	-	-
Investment corporation bonds	-	-	-	9,277	18,554	9,277
Long-term loans payable	-	532,331	488,004	275,025	267,585	42,304
Total	\$ 480,044	\$ 532,331	\$ 488,004	\$ 284,302	\$ 286,139	\$ 51,581

19. Investment securities

As of December 31, 2018

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand and TK interest recorded on the Balance Sheet at ¥36,783,826 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 June 30, 2019

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand (US\$165,659 thousand) are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

20. Derivatives

Information on derivative transactions undertaken by the Company as of December 31, 2018 and June 30, 2019 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of December 31, 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	¥ 71,640,000	¥ 34,729,000	¥ 48,781
	Currency options Sell – USD Call (Option premium)	Future transactions denominated in a foreign currency	¥ 4,444,000	¥ 1,903,000	¥
			¥ (124,943)	¥ (53,157)	¥ (87,318)
	Currency options Buy – USD Put Option premium		¥ 4,444,000	¥ 1,903,000	¥
			¥ 140,288	¥ 88,792	¥ 162,566

(*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.

As of June 30, 2019:

Contract amount(*1)	Contract amount(*1)
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Method of hedge accounting	Type of derivative transaction	Main hedged item	Total	Over 1 year	Fair Value (*2)	Total	Over 1 year	Fair Value (*2)
			(in thousands of yen)			(in thousands of U.S. dollars)		
Principle accounting method	Interest rate swap transaction	Long-term borrowings						
	floating rate receivable and Fixed rate payable		¥ 84,074,000	¥ 51,413,000	¥ (19,845)	\$ 779,979	\$ 476,973	\$ (184)
	Currency options	Future transactions denominated in a foreign currency						
	Sell – USD Call (Option premium)		¥ 5,134,140	¥ 1,933,140	¥	\$ 47,630	\$ 17,934	\$
	Buy – USD Put (Option premium)		¥ (133,171)	¥ (42,806)	¥ (33,916)	\$ (1,235)	\$ (397)	\$ (314)
			¥ 5,134,140	¥ 1,933,140	¥	\$ 47,630	\$ 17,934	\$
			¥ 225,420	¥ 102,873	¥ 233,622	\$ 2,091	\$ 954	\$ 2,167

(*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.

21. 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 December 31, 2018 and June 30, 2019 are as follows.

	For the six month ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period	¥ 31,891	¥ 32,107	\$ 297
Liabilities incurred due to the acquisition of properties	-	-	-
Accretion expense	215	213	1
Balance at the end of the period	¥ 32,107	¥ 32,321	\$ 299

22. Segment Information

Segment information for the six months ended December 31, 2018 and June 30, 2019 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:

For the six months ended December 31, 2018

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

For the six months ended June 30, 2019

(in thousands of yen)

Japan	Grand Cayman	Total
24,098,860	3,240,809	27,339,670

(in thousands of U.S. dollars)

Japan	Grand Cayman	Total
223,572	30,065	253,638

(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 December 31, 2018 and June 30, 2019 were as follows:

For the six months ended December 31, 2018

Name of client	Operating Revenues (in thousands of yen)	Related segment
Mystays Hotel Management Co., Ltd.	¥7,297,799	Real estate investing business

For the six months ended June 30, 2019

Name of client	Operating Revenues (in thousands of yen)	Operating Revenues (in thousands of U.S. dollars)	Related segment
Mystays Hotel Management Co., Ltd.	¥6,581,126	\$61,055	Real estate investing business
Undisclosed (1)	¥5,633,813	\$52,266	Real estate investing business
Undisclosed (2)	¥5,484,169	\$50,878	Real estate investing business

Notes

(1) The name of the client (an affiliate of a foreign real estate fund) is not disclosed, as the client's consent has not been obtained for disclosure. The client is not included in the group entities of the company and the Asset Manager.

(2) The name of the client (a Japanese TMK (Tokutei Mokuteki Kaisha)) is not disclosed, as the client's consent has not been obtained for disclosure. The client is not included in the group entities of the company and the Asset Manager.

23. Profit or Loss from Equity Method, etc

For the six months ended December 31, 2018

(in thousands of yen)

Investments in affiliates	54,640,213
Investments, if equity method was adopted	54,640,213
Investment gains (losses), if equity method was adopted	846,780

For the six months ended June 30, 2019

	(in thousands of yen)	(in thousands of US dollars)
Investments in affiliates	17,856,387	165,659
Investments, if equity method was adopted	17,856,387	165,659
Investment gains (losses), if equity method was adopted	3,487,698	32,356

24. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

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 yen)			Type of transactions	Amounts (1) (in thousands of yen)	Balance sheet account	Amounts (1) (in thousands of yen)
Interested party of the Asset Manager	Aki 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)	¥20,691,000	-	-
	Raetia 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)	¥16,731,000	-	-
	HL Investments 2 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)	¥5,286,000	-	-
	Dogo 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)	¥5,039,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥10	-	-	Lease holder and operator of hotel	Rental Revenues	¥1,112,683	Rental receivables	¥141,119
	Mystays Hotel Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥100	-	-	Lease holder and operator of hotel	Rental Revenues	¥7,297,799	Rental receivables	¥2,264,664

Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- (2) Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- (3) The seller, 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.
- (4) 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)
D60	Hotel MyStays Premier Akasaka	Aki TMK	20,691,000
D61	Hotel MyStays Premier Sapporo Park	Raetia TMK	16,731,000
D62	Hotel MyStays Ueno East	HL Investments 2 TMK	5,286,000
D63	Hotel MyStays Midouji Honmachi	Dogo TMK	5,039,000
Total			47,747,000

For the six months ended June 30, 2019

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period			Balance at the end of period		
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts(1)		Balance sheet account	Amounts(1)	
									(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)

Interested party of the Asset Manager	Naqua Hotel & Resorts Management Co., Ltd.(2)	Minato-ku, Tokyo	Hotel management business	¥10	\$92	-	Lease holder and operator of hotel	Rental Revenues	¥590,306	\$5,476	Rental receivables	¥197,253	\$1,829
	Mystays Hotel Management Co., Ltd.(2)	Minato-ku, Tokyo	Hotel management business	¥100	\$927	-	Lease holder and operator of hotel	Rental Revenues	¥6,581,126	\$61,055	Rental receivables	¥1,834,677	\$17,020

Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- (2) 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 Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd as a related party.

(b) Affiliates

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	
				Amounts(1)(2)			Type of transactions	Amounts(1)(2)	Balance sheet account	Amounts(1)(2)
				(in millions of yen)				(in millions of yen)		(in millions of yen)
Affiliates	Seven Mile Resort Holdings Ltd.	Grand Cayman, Cayman Islands	Investment management business	¥36,783	100.0%	TK investment	Investment in the TK (2)(3)	¥36,783	-	-

- (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.

For the six months ended June 30, 2019

Type of related-party	Company name	Location	Business	Share capital		Investmen ratio	Relationship with the Company	Transactions for the period			Balance at the end of period		
				Amounts (1)(2)				Type of transactions	Amounts (3)		Balance sheet account	Amounts (3)	
				(in millions of yen)	(in thousands of U.S. dollars)				(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 managemen t business	¥36,783	\$ 341,254	100.0%	TK investment	Refund of TK investment (3)	¥36,783	\$341,254	-	-	-
								Acquisition of fixed assets (3)	¥35,903	\$333,091	-	-	-

- (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 with Seven Mile Resort Holdings Ltd. as an operator. INV acquired the Leasehold of the Cayman Hotels by way of a distribution in kind after the termination of the TK agreement on May 9, 2019. Acquisition price of Leasehold differs from the amount of refund of the TK investment since the book value as of May 9, 2019 is deemed the acquisition price of these properties.

(c) Board of Directors and Major Individual Unitholders

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 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)	¥279,774	Accrued expenses	¥148,500
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥1,100	Accrued expenses	¥864

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.

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

For the six months ended June 30, 2019

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)	¥419,700	\$3,893	Accrued expenses	¥291,276	\$2,702
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥600	\$5	Accrued expenses	¥324	\$3

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.

25. 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 June 30, 2019 is Kingdom TMK. Summary of financial statements are as follows:

	Kingdom TMK		
	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of US dollars)
Total specified assets	100,856,568	100,524,164	932,592
Total other assets	3,784,525	3,972,036	36,849
Total current liabilities	212,208	106,709	989
Total non-current liabilities	66,280,661	66,280,661	614,905
Total net assets	38,148,224	38,108,830	353,546
Operating revenue	2,350,784	2,333,624	21,649
Income before income taxes	1,729,001	1,689,613	15,675
Net income	1,728,124	1,688,730	15,666

26. Per Unit Information

The following table shows net asset value per unit as of December 31, 2018 and June 30, 2019 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		
December 31, 2018	June 30, 2019	June 30, 2019
(Yen)		(U.S. dollars)

Net asset value per unit	¥	39,063	¥	41,125	\$	381
Net income per unit	¥	1,504	¥	3,748	\$	34
Weighted average number of units		5,575,457		5,666,840		-

27. Subsequent Events

(a) Issuance of New Investment Units

The board of directors held on July 1, 2019 and July 10, 2019 approved the issuance of new investment units and secondary distribution of investment units. Payment for the new investment units issued via public offering was completed on July 18, 2019. In addition, with the respect to the issuance of new investment units through the third-party allotment in connection with the over-allotment for the public offering, the payment was completed on August 15, 2019. As a result, holders' capital becomes JPY235,576 million and the number of investment units issued and outstanding become 6,096,840 units.

(i) Issuance of new investment units through public offering

Number of investment units	Domestic public offering	: 194,524 units
	International	: 215,000 units
	Total	: 409,524 units
Issue price (offer price)		: JPY58,898 per unit
Total issue price (total offer price)		: JPY 24,120,144,552
Amount paid in (issue value)		: JPY 56,939 per unit
Total amount paid in (total issue value)		: JPY 23,317,887,036
Payment date		: July 18, 2019

(ii) Secondary offering of investment units (over-allotment secondary offering)

Number of investment units	: 20,476 units
Offer price	: JPY 58,898 per unit
Total offer value	: JPY 1,205,995,448
Delivery date	: July 19, 2019

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

Number of investment units	: 20,476 units
Amount paid in (issue value)	: JPY 56,939 per unit
Total amount paid in (total issue value)	: JPY 1,165,882,964
Delivery date	: August 15, 2019
Allottee	: Mizuho Securities Co, Ltd.

(b) New borrowings

In order to raise a part of the funds to be used for the acquisition of the 18 hotel properties acquired on July 19, 2019, the Company decided on the implementation of the following borrowings at its board of directors' meeting held and entered into the borrowing agreement on July 1, 2019.

New Syndicate Loan (L)

Lender	Syndicate formed by Mizuho Bank, Ltd.
Borrowing amount	JPY 27,400 million
Interest rate, etc.	Base rate (1-month JPY TIBOR) +0.700%, 0.550%, 0.500%, 0.450%, 0.350%, 0.200%
Interest payment date	(i) The last Japanese business day of each month before the principal maturity date, beginning with July 31, 2019, and (ii) the principal maturity date,
Principal repayment method	Lump-sum repayment
Borrowing method	Unsecured / with no guarantee
Borrowing date	July 19, 2019,
Maturity date	July 16, 2025, January 16, 2025, July 16, 2024, January 16, 2024, January 16, 2023, July 18, 2020

(c) Acquisition of assets (properties)

The Company decided to acquire 18 hotel properties as shown in the following table, of which the total acquisition price is JPY 82,646 million, on July 1, 2019 and the acquisitions have been closed on July 19, 2019.

Use	Property number	Property name	Location	Construction completion date	Acquisition price (JPY million) (Note)	Total rentable area (m ²)	Seller	Category of specified asset
Hotel	D64	Hotel MyStays Sapporo Aspen	Sapporo-shi, Hokkaido	December 1995	15,543	15,313.17	Touyako Godo Kaisha	Trust beneficial interest
Hotel	D65	Art Hotel Ishigakijima	Ishigaki-shi, Okinawa	January 1984	9,731	17,247.54	Yaeyama Resort Hotel Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D66	Hotel MyStays Fuji Onsen Resort	Fujiyoshida-shi, Yamanashi	November 2016	9,405	5,498.49	Saturnia Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D67	Hotel Sonia Otaru	Otaru-shi, Hokkaido	April 1992 March 1998 November 2018	5,930	6,509.41	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D68	Hotel MyStays Kanazawa Castle	Kanazawa-shi, Ishikawa	June 1982 February 1991 January 1997	5,682	5,931.84	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest

Use	Property number	Property name	Location	Construction completion date	Acquisition price (JPY million) (Note)	Total rentable area (㎡)	Seller	Category of specified asset
Hotel	D69	Art Hotel Niigata Station	Niigata-shi, Niigata	April 1985	5,524	10,403.01	HL Investments 2 Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D70	Hotel MyStays Nagoya Nishiki	Nagoya-shi, Aichi	March 1974	5,197	6,077.99	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D71	Hotel Nord Otaru	Otaru-shi, Hokkaido	March 1996	4,296	6,047.43	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D72	Hotel MyStays Kagoshima Tenmonkan	Kagoshima-shi, Kagoshima	September 1990	3,445	7,659.55	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D73	Art Hotel Asahikawa	Asahikawa-shi, Hokkaido	October 1987	3,197	25,131.84	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D74	Hotel MyStays Matsuyama	Matsuyama-shi, Ehime	July 2000	3,098	8,274.37	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D75	Hotel MyStays Sapporo Susukino	Sapporo-shi, Hokkaido	May 1981	3,059	2,853.26	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D76	Hotel MyStays Sapporo Nakajima Park	Sapporo-shi, Hokkaido	February 1991	2,118	5,473.41	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D77	Hotel MyStays Sapporo Nakajima Park Annex	Sapporo-shi, Hokkaido	September 1991	1,584	1,775.21	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest

Use	Property number	Property name	Location	Construction completion date	Acquisition price (JPY million) (Note)	Total rentable area (m ²)	Seller	Category of specified asset
Hotel	D78	Flexstay Inn Sakuragicho	Yokohama-shi, Kanagawa	November 1991	1,425	1,308.61	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D79	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	September 1991	1,287	2,156.70	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D80	Hotel MyStays Kagoshima Tenmonkan Annex	Kagoshima-shi, Kagoshima	February 1985	1,168	2,047.70	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D81	Hotel MyStays Nayoro	Nayoro-shi, Hokkaido	November 2014	957	1,985.27	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest

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