

Invincible Investment
Corporation

Audited Financial Statements
for the 24th Fiscal Period
(from January 1, 2015 to June 30, 2015)

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

It is my pleasure to take this opportunity to express my sincere gratitude to all investors in Invincible Investment Corporation (“INV”) for your ongoing support.

We hereby provide you with a report on INV’s asset management and financial results for the 24th period (covering the period from January 1, 2015 to June 30, 2015, the “reporting period”).

With respect to the external growth of INV’s properties in the reporting period, we acquired 3 hotels (total acquisition price: JPY 13,261 million) on February 6, 2015 by utilizing excess cash-on-hand and new loans, and resolved on June 25, 2015 to acquire 11 hotels and 3 residential properties (total acquisition price: JPY 35,258 million) on July 16, 2015 with the funds raised via a global public offering of new investment units (the “Capital Increase”) and new loans.

With respect to the financial operations, we decided to refinance all existing loans on July 16, 2015 concurrently with the Capital Increase and the acquisition of the above properties in order to refinance all secured bank loans to an unsecured bank facility, lengthen and diversify the debt maturity duration, and further reduce interest rates.

For the reporting period, due to the acquisition of 3 new hotels and the acceleration of internal growth from the existing hotel portfolio backed by the significant increase in the number of inbound visitors to Japan; hotel rents increased by JPY 313 million (15.1%) from the previous period to JPY 2,382 million, and INV’s total operating revenues increased by JPY 364 million (7.9%) to JPY 4,974 million. As a result, net income increased by JPY 337 million (17.2%) to JPY 2,295 million, and DPU (distribution per unit) increased by JPY 127 (17.3%) to JPY 860.

After the reporting period, in addition to the Capital Increase, the acquisition of the above-mentioned 14 properties and the de-collateralization of loans, INV acquired 3 hotels (total acquisition price: JPY 7,369 million) on August 28, 2015 by utilizing the funds raised through new loans as well as part of the excess cash-on-hand obtained from the Capital Increase. As a result, INV’s total assets under management as of the end of August 2015 increased to JPY 173,815 million, a JPY 55,888 million (47.4%) increase compared to JPY 117,927 million as of the end of the fiscal period ended December 31, 2014 (previous period; the 23rd period). The annual DPU for 2015 is expected to increase to JPY 1,924, a 47.3% increase year-on-year. INV’s market capitalization as of August 25, 2015 was JPY 201,840 million, rising it to the 18th-largest market capitalization among the 53 listed J-REITs in Japan (market capitalization at the end of December 2013: JPY 30,566 million, which

was 40th-largest among 43 listed J-REITs).

In conjunction with the Capital Increase, INV entered into an MOU with certain Fortress-related special purpose companies, concerning preferential negotiation rights for the acquisition of 21 hotels and 9 residential properties, thereby securing a potential pipeline of assets on a scale similar to that of the existing hotel portfolio in terms of number of rooms.

We will further seek to acquire new properties, mainly hotels, by utilizing the extensive sponsor pipeline to build a portfolio that provides both strong growth and stability. In regards to internal growth, we will continue our efforts to maximize the rent revenue from the hotel portfolio which is expected to achieve significant growth in the medium to long-term. With respect to financial management, we aim to diversify financing measures, including the issuance of REIT bonds, by obtaining an external credit rating, as well as work to further broaden the investor base.

We will continue to implement and further accelerate our basic policy that we have implemented thus far, which is the “increase of distribution per unit” via accretive acquisitions and will take measures to maximize unitholders’ value.

Your continued support is highly appreciated.



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

Fixed Distributions	The 24th fiscal period (the fiscal period ended June 2015)	Per investment unit JPY 860
Forecast Distributions	The 25th fiscal period (the fiscal period ending December 2015)	Per investment unit JPY 1,064
Forecast Distributions	The 26th fiscal period (the fiscal period ending June 2016)	Per investment unit JPY 1,009
Forecast Distributions	The 27th fiscal period (the fiscal period ending December 2016)	Per investment unit JPY 1,163

(Note) The forward-looking statements, forecasts and goals mentioned above are based on available information, assumptions and estimates as of August 26, 2015. 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, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invincible Investment Corporation as at June 30, 2015, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 18 to the financial statements, which describes issuance of new investment units, new borrowings, prepayment of existing borrowings and acquisition of assets. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

*Ernst & Young ShinNihon
LLC.*

September 25, 2015
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET

As of June 30, 2015

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4, 7 and 14)	¥ 9,153,872	¥ 2,691,921	\$ 21,983
Cash and bank deposits in trust (Notes 4, 7 and 14)	4,011,521	4,822,622	39,384
Accounts receivable	82	190	1
Rental receivables	644,552	637,813	5,208
Prepaid expenses	233,324	260,394	2,126
Consumption taxes receivable	1,319,253	316,413	2,584
Other	0	0	0
Allowance for doubtful accounts	(1,968)	(2,436)	(19)
Total current assets	15,360,637	8,726,919	71,269
Non-current assets:			
Property and equipment (Notes 5, 6 and 7):			
Buildings, at cost	85,914	85,914	701
Buildings and accompanying facilities, at cost	38,862	38,862	317
Structures, at cost	2,779	2,779	22
Land	711,834	711,834	5,813
Buildings in trust, at cost	45,227,883	49,657,804	405,535
Buildings and accompanying facilities in trust, at cost	10,400,867	12,748,349	104,110
Structures in trust, at cost	321,799	323,594	2,642
Tools, furniture and fixtures in trust, at cost	268,476	302,397	2,469
Land in trust	63,258,940	69,963,823	571,366
Subtotal	120,317,357	133,835,359	1,092,979
Less: Accumulated depreciation	(5,573,763)	(6,560,529)	(53,577)
Total property and equipment, net	114,743,593	127,274,829	1,039,402
Intangible assets:			
Other	76	45	0
Total intangible assets	76	45	0
Investments and other assets:			
Guarantee deposits	10,000	10,035	81
Long-term prepaid expenses	328,159	251,697	2,055
Other	34,765	36,218	295
Total investments and other assets	372,924	297,951	2,433
Total non-current assets	115,116,594	127,572,826	1,041,836
TOTAL ASSETS	¥ 130,477,232	¥ 136,299,746	\$ 1,113,105

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Accounts payable	¥ 141,428	¥ 168,742	\$ 1,378
Current portion of long-term loans payable (Notes 7, 8 and 14)	1,200,000	62,341,000	509,113
Current portion of long-term loans payable in trust (Notes 7, 8 and 14)	18,167	9,960,000	81,339
Accounts payable-other	22,872	43,752	357
Accrued expenses	127,170	174,711	1,426
Income taxes payable	578	542	4
Advances received	371,084	420,660	3,435
Deposits received	23,896	10,108	82
Total current liabilities	1,905,197	73,119,517	597,137
Non-current liabilities:			
Long-term loans payable (Notes 7, 8 and 14)	56,100,000	-	-
Long-term loans payable in trust (Notes 7, 8 and 14)	9,941,832	-	-
Tenant leasehold and security deposits in trust (Note 14)	1,109,146	1,420,014	11,596
Tenant leasehold and security deposits (Note 14)	28,663	28,663	234
Total non-current liabilities	67,179,642	1,448,677	11,830
TOTAL LIABILITIES	69,084,839	74,568,195	608,968
NET ASSETS (Note 9)			
Unitholders' equity:			
Unitholders' capital	53,096,413	53,096,413	433,617
Capital surplus	6,264,432	6,264,432	51,159
Retained earnings	2,031,546	2,370,704	19,360
Total unitholders' equity	61,392,392	61,731,550	504,136
TOTAL NET ASSETS	61,392,392	61,731,550	504,136
TOTAL LIABILITIES AND NET ASSETS	¥ 130,477,232	¥ 136,299,746	\$ 1,113,105

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, 2015

	For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rental revenue—real estate (Note 11)	¥ 4,610,717	¥ 4,974,760	\$ 40,626
Total operating revenue	<u>4,610,717</u>	<u>4,974,760</u>	<u>40,626</u>
Operating expenses			
Property related expenses (Note 11)	1,586,854	1,834,039	14,977
Directors' compensation	4,800	4,800	39
Asset management fees	125,000	180,000	1,469
Asset custody fees	3,976	6,342	51
Administrative service fees	26,672	22,055	180
Provision of allowance for doubtful accounts	1,527	467	3
Other	91,966	116,123	948
Total operating expenses	<u>1,840,796</u>	<u>2,163,828</u>	<u>17,671</u>
Operating income	<u>2,769,920</u>	<u>2,810,931</u>	<u>22,955</u>
Non-operating income			
Interest income	537	1,242	10
Interest on tax refund	-	3,098	25
Other	483	307	2
Total non-operating income	<u>1,021</u>	<u>4,648</u>	<u>37</u>
Non-operating expenses			
Interest expenses	365,480	379,341	3,097
Loan-related costs	294,738	140,328	1,146
Investment unit issuance costs	152,101	-	-
Other	14	-	-
Total non-operating expenses	<u>812,334</u>	<u>519,670</u>	<u>4,243</u>
Ordinary income	<u>1,958,607</u>	<u>2,295,909</u>	<u>18,749</u>
Income before income taxes	<u>1,958,607</u>	<u>2,295,909</u>	<u>18,749</u>
Income taxes (Note 12):			
Current	605	605	4
Deferred	-	-	-
Total income taxes	<u>605</u>	<u>605</u>	<u>4</u>
Net income	<u>1,958,002</u>	<u>2,295,304</u>	<u>18,744</u>
Retained earnings brought forward	<u>73,543</u>	<u>75,399</u>	<u>615</u>
Unappropriated retained earnings (Note 10)	<u>¥ 2,031,546</u>	<u>¥ 2,370,704</u>	<u>\$ 19,360</u>

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended June 30, 2015

	Unitholders' equity					
	Unitholders' capital	Surplus			Total unitholders' equity	Total net assets
		Capital surplus	Retained earnings	Total surplus		
(in thousands of yen)						
Balance as of June 30, 2014	¥ 29,134,389	¥ 6,264,432	¥ 974,975	¥ 7,239,407	¥ 36,373,796	¥ 36,373,796
Changes during the period						
Issuance of new investment units	23,962,024	-	-	-	23,962,024	23,962,024
Dividends from surplus	-	-	(901,431)	(901,431)	(901,431)	(901,431)
Net income	-	-	1,958,002	1,958,002	1,958,002	1,958,002
Total changes during the period	23,962,024	-	1,056,571	1,056,571	25,018,595	25,018,595
Balance as of December 31, 2014	¥ 53,096,413	¥ 6,264,432	¥ 2,031,546	¥ 8,295,978	¥ 61,392,392	¥ 61,392,392
Changes during the period						
Issuance of new investment units	-	-	-	-	-	-
Dividends from surplus	-	-	(1,956,146)	(1,956,146)	(1,956,146)	(1,956,146)
Net income	-	-	2,295,304	2,295,304	2,295,304	2,295,304
Total changes during the period	-	-	339,157	339,157	339,157	339,157
Balance as of June 30, 2015	¥ 53,096,413	¥ 6,264,432	¥ 2,370,704	¥ 8,635,136	¥ 61,731,550	¥ 61,731,550

	Unitholders' equity					
	Unitholders' capital	Surplus			Total unitholders' equity	Total net assets
		Capital surplus	Retained earnings	Total surplus		
(in thousands of U.S. dollars)						
Balance as of December 31, 2014	\$ 433,617	\$ 51,159	\$ 16,590	\$ 67,749	\$ 501,367	\$ 501,367
Changes during the period						
Issuance of new investment units	-	-	-	-	-	-
Dividends from surplus	-	-	(15,975)	(15,975)	(15,975)	(15,975)
Net income	-	-	18,744	18,744	18,744	18,744
Total changes during the period	-	-	2,769	2,769	2,769	2,769
Balance as of June 30, 2015	\$ 433,617	\$ 51,159	\$ 19,360	\$ 70,519	\$ 504,136	\$ 504,136

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, 2015

	For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 1,958,607	¥ 2,295,909	\$ 18,749
Depreciation and amortization	837,289	986,795	8,058
Investment unit issuance costs	152,101	-	-
Loan-related costs	294,738	140,328	1,146
Amortization of tenant leasehold and security deposits in trust	(378)	-	-
Interest income	(537)	(1,242)	(10)
Interest expenses	365,480	379,341	3,097
Changes in assets and liabilities			
Increase (decrease) in allowance for doubtful accounts	577	467	3
Decrease (increase) in rental receivables	(573,359)	6,739	55
Decrease (increase) in consumption taxes receivable	(1,319,253)	1,002,839	8,189
Increase (decrease) in consumption taxes payable	(143,637)	-	-
Increase (decrease) in accounts payable	(673)	21,539	175
Increase (decrease) in accounts payable-other	(10,409)	17,865	145
Increase (decrease) in accrued expenses	2,933	49,396	403
Increase (decrease) in advances received	13,561	49,576	404
Increase (decrease) in deposits received	(9,776)	(13,787)	(112)
Other, net	5,533	(9,953)	(81)
Subtotal	<u>1,572,798</u>	<u>4,925,816</u>	<u>40,227</u>
Interest income received	537	1,242	10
Interest expenses paid	(363,177)	(381,197)	(3,113)
Income taxes paid	(547)	(640)	(5)
Net cash provided by operating activities	<u>1,209,610</u>	<u>4,545,220</u>	<u>37,118</u>
Cash flows from investing activities:			
Purchases of property and equipment in trust	(40,203,087)	(13,512,228)	(110,348)
Repayments of tenant leasehold and security deposits in trust	(47,787)	(95,186)	(777)
Proceeds from tenant leasehold and security deposits in trust	131,585	406,054	3,316
Other, net	(694)	(1,487)	(12)
Net cash used in investing activities	<u>(40,119,985)</u>	<u>(13,202,847)</u>	<u>(107,822)</u>
Cash flows from financing activities:			
Repayments of short-term loans payable	(13,488,750)	-	-
Proceeds from long-term loans payable	57,300,000	6,241,000	50,967
Repayments of long-term loans payable	(17,552,100)	(1,200,000)	(9,799)
Payments for loan-related costs	(618,099)	(81,398)	(664)
Distribution payments	(900,512)	(1,952,824)	(15,947)
Proceeds from issuance of investment units	23,962,024	-	-
Payment of Investment unit issuance costs	(151,356)	-	-
Net cash used in financing activities	<u>48,551,206</u>	<u>3,006,776</u>	<u>24,555</u>
Net increase (decrease) in cash and cash equivalents	<u>9,640,831</u>	<u>(5,650,850)</u>	<u>(46,148)</u>
Cash and cash equivalents at beginning of period	<u>3,524,562</u>	<u>13,165,393</u>	<u>107,516</u>
Cash and cash equivalents at end of period (Note 4)	<u>¥ 13,165,393</u>	<u>¥ 7,514,543</u>	<u>\$ 61,368</u>

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, 2015

1. Organization

Invincible Investment Corporation (the “Company”), a real estate investment corporation, was incorporated on January 18, 2002, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) with initial capital of ¥200 million.

The Company is externally managed by a registered asset management company, Consonant Investment Management Co., Ltd. (the “Asset Manager”). The Asset Manager is currently owned 100% by Calliope Godo Kaisha (Calliope). The Company was formed to invest primarily in properties in Japan.

On May 17, 2004, the Company raised ¥3,377,250 thousand through an initial public offering of 9,000 investment units. As a “comprehensive investment REIT focusing on the Tokyo metropolitan area and on residential properties,” The Company was listed on the Osaka Securities Exchange in May 2004.

On February 7, 2005, the Company completed its second public offering of 10,650 investment units at a price of ¥369,734 per unit in connection with a public offering in Japan.

On July 31, 2006, the Company completed its third public offering of 25,000 investment units at a price of ¥332,045 per unit in connection with a public offering in Japan. The Company was listed on the J-REIT market of the Tokyo Stock Exchange in August 2006 (in order to focus trading on one securities exchange and reduce administrative tasks and costs accompanying a duplicate listing, The Company delisted from the Osaka Securities Exchange on October 6, 2007).

Effective on February 1, 2010, the Company executed a five-to-one unit split and 215,596 investment units were issued in connection with the unit split. Effective on the same day, the Company also merged with LCP Investment Corporation (LCP) and allocated 367,200 investment units at a ratio of 4 units (post-unit split) of the Company per one investment unit of LCP. As a result, investment units issued and outstanding were 636,695 units as of February 1, 2010.

On July 29, 2011, the Company completed a third party allotment of 711,597 investment units at a price of ¥9,837 per unit.

On December 20, 2013, the Company completed a third party allotment of 224,887 investment units at a price of ¥13,340 per unit.

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

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The financial statements are prepared based on the Japanese audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying financial statements, certain information in the notes has been added and certain reclassifications have been made from the financial statements issued domestically for the convenience of the readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company’s fiscal period is a six-month period, which ends at the end of June and December of each year.

Amounts less than ¥1 thousand and US\$ 1 thousand have been rounded down. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

The Company does not prepare consolidated financial statements as it has no subsidiaries.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition.

(c) Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

	<u>For the six months ended</u>
	<u>June 30, 2015</u>
Buildings	77 years
Buildings and accompanying facilities	8-24
Structures	7-18
Buildings in trust	2-67
Buildings and accompanying facilities in trust	2-32
Structures in trust	4-55
Tools, furniture and fixtures in trust	2-15

(d) Intangible Assets

Intangible assets are amortized on a straight-line basis.

(e) Long-term Prepaid Expenses

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

(f) Investment Unit Issuance Costs

Investment unit issuance costs are recorded as expenses when incurred.

(g) Allowance for Doubtful Accounts

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

(h) Impairment of Fixed Assets

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

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

For trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Company holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant accounts of the balance sheet and statement of income and retained earnings of the Company in proportion to the percentage that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheets of the Company.

(j) Income Taxes

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

(k) Consumption Taxes

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

(l) Taxes on Property and Equipment

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

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

Taxes on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥42,497 (US\$347) thousand for the six months ended June 30, 2015.

3. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥122.45 = US\$1, the effective rate of exchange prevailing at June 30, 2015. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2015 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

4. Cash and Cash Equivalents

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

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015 (in thousands of U.S. dollars)
Cash and bank deposits	¥ 9,153,872	¥ 2,691,921	\$ 21,983
Cash and bank deposits in trust	4,011,521	4,822,622	39,384
Cash and cash equivalents	¥ 13,165,393	¥ 7,514,543	\$ 61,368

5. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended June 30, 2015.

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
	(in thousands of yen)						
Buildings	¥ 85,914	¥ -	¥ -	¥ 85,914	¥ 8,866	¥ 541	¥ 77,048
Buildings and accompanying facilities	38,862	-	-	38,862	19,744	1,196	19,117
Structures	2,779	-	-	2,779	1,270	65	1,509
Land	711,834	-	-	711,834	-	-	711,834
Buildings in trust	45,227,883	4,429,921	-	49,657,804	3,726,114	589,210	45,931,690
Buildings and accompanying facilities in trust	10,400,867	2,347,482	-	12,748,349	2,551,810	365,747	10,196,539
Structures in trust	321,799	1,795	-	323,594	128,347	9,602	195,246
Tools, furniture and fixtures in trust	268,476	33,920	-	302,397	124,376	20,401	178,020
Land in trust	63,258,940	6,704,883	-	69,963,823	-	-	69,963,823
Total	¥ 120,317,357	¥ 13,518,001	¥ -	¥ 133,835,359	¥ 6,560,529	¥ 986,765	¥ 127,274,829

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
(in thousands of U.S. dollars)							
Buildings	\$ 701	\$ -	\$ -	\$ 701	\$ 72	\$ 4	\$ 629
Buildings and accompanying facilities	317	-	-	317	161	9	156
Structures	22	-	-	22	10	0	12
Land	5813	-	-	5,813	-	-	5,813
Buildings in trust	369,357	36,177	-	405,535	30,429	4,811	375,105
Buildings and accompanying facilities in trust	84,939	19,170	-	104,110	20,839	2,986	83,271
Structures in trust	2,628	14	-	2,642	1,048	78	1,594
Tools, furniture and fixtures in trust	2,192	277	-	2,469	1,015	166	1,453
Land in trust	516,610	54,756	-	571,366	-	-	571,366
Total	\$ 982,583	\$ 110,396	\$ -	\$ 1,092,979	\$ 53,577	\$ 8,058	\$ 1,039,402

Increases in the net book values are mainly due to the acquisition of 3 properties (¥13,261,000 thousand) as shown below and capitalized construction costs.

Property No.	Property name	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
D21	Apa Hotel Yokohama Kannnai	8,350,000	68,191
D22	Hotel Nets Hakodate	2,792,000	22,801
D23	Flexstay Inn Shirogane	2,119,000	17,305

6. Fair Value of Investment and Rental Properties

The following tables show the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2014 and June 30, 2015.

Residential

	As of / For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 55,874,464	¥ 55,569,758	\$ 453,815
Net increase (decrease) during period	(304,706)	(300,354)	(2,452)
Balance at the end of period	55,569,758	55,269,403	451,363
Fair value	¥ 60,775,000	¥ 62,209,000	\$ 508,035

Office

	As of / For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 8,579,951	¥ 8,551,609	\$ 69,837
Net increase (decrease) during period	(28,342)	(36,906)	(301)
Balance at the end of period	8,551,609	8,514,702	69,536
Fair value	¥ 7,227,000	¥ 7,181,000	\$ 58,644

Retail facilities

	As of / For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 5,275,638	¥ 5,225,394	\$ 42,673
Net increase (decrease) during period	(50,243)	(47,106)	(384)
Balance at the end of period	5,225,394	5,178,288	42,288
Fair value	¥ 5,690,000	¥ 5,820,000	\$ 47,529

Parking lots

	As of / For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 100,825	¥ 100,823	\$ 823
Net increase (decrease) during period	(1)	(1)	(0)
Balance at the end of period	100,823	100,822	823
Fair value	¥ 107,000	¥ 109,000	\$ 890

Hotel

	As of / For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 5,532,341	¥ 45,296,007	\$ 369,914
Net increase (decrease) during period	39,763,665	12,915,605	105,476
Balance at the end of period	45,296,007	58,211,612	475,390
Fair value	¥ 52,759,000	¥ 71,555,000	\$ 584,360

Notes:

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

For rental revenues and expenses for the six months ended December 31, 2014 and June 30, 2015, please refer to "Note 11: Rent Revenues—Real Estate and Expenses Related to Property Rental Business"

7. Collateral

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

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 4,262,187	¥ 312,245	\$ 2,549
Cash and bank deposits in trust	4,011,521	4,822,622	39,384
Buildings	77,589	77,048	629
Buildings and accompanying facilities	20,314	19,117	156
Structures	1,574	1,509	12
Land	711,834	711,834	5,813
Buildings in trust	42,090,979	45,931,690	375,105
Buildings and accompanying facilities in trust	8,214,804	10,196,539	83,271
Structures in trust	203,054	195,246	1,594
Tools, furniture and fixtures in trust	164,502	178,020	1,453
Land in trust	63,258,940	69,963,823	571,366
Total	¥ 123,017,302	¥ 132,409,697	\$ 1,081,336

The following table shows the loans payable secured by collateral.

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Current portion of long-term loans payable	1,200,000	62,341,000	509,113
Current portion of long-term loans payable in trust	18,167	9,960,000	81,339
Long-term loans payable	56,100,000	-	-
Long-term loans payable in trust	9,941,832	-	-
Total	¥ 67,260,000	¥ 72,301,000	\$ 590,453

8. Loans Payable

The following table shows the details of loans payable for the six months ended June 30, 2015.

For the six months ended June 30, 2015

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)				(1)			
Long-term loans payable (6)	Sumitomo Mitsui Banking Corporation (3)	12,400,000	—	400,000	12,000,000	101,265	—	3,266	97,999	0.930	July 14, 2017	(2)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (3)	12,400,000	—	400,000	12,000,000	101,265	—	3,266	97,999	0.930	July 14, 2017		
	Mizuho Bank, Ltd. (3)	12,400,000	—	400,000	12,000,000	101,265	—	3,266	97,999	0.930	July 14, 2017		
	Shinsei Bank, Limited (3)	6,500,000	—	—	6,500,000	53,082	—	—	53,082	0.930	July 14, 2017		
	Citibank Japan Ltd. (3)	6,500,000	—	—	6,500,000	53,082	—	—	53,082	0.930	July 14, 2017		
	Sumitomo Mitsui Trust Bank, Limited(3)	5,000,000	—	—	5,000,000	40,832	—	—	40,832	0.930	July 14, 2017		
	Resona Bank, Limited.(3)	2,100,000	—	—	2,100,000	17,149	—	—	17,149	0.930	July 14, 2017		
	Sumitomo Mitsui Banking Corporation (4)	—	1,357,000	—	1,357,000	—	11,082	—	11,082	0.930	February 6, 2018	(2)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (4)	—	1,357,000	—	1,357,000	—	11,082	—	11,082	0.930	February 6, 2018		
	Mizuho Bank, Ltd. (4)	—	1,357,000	—	1,357,000	—	11,082	—	11,082	0.930	February 6, 2018		
	Shinsei Bank, Limited (4)	—	650,000	—	650,000	—	5,308	—	5,308	0.930	February 6, 2018		
	Citibank Japan Ltd. (4)	—	650,000	—	650,000	—	5,308	—	5,308	0.930	February 6, 2018		
	Sumitomo Mitsui Trust Bank, Limited. (4)	—	470,000	—	470,000	—	3,838	—	3,838	0.930	February 6, 2018		
Resona Bank, Limited. (4)	—	400,000	—	400,000	—	3,266	—	3,266	0.930	February 6, 2018			
	Total long-term loans payable	57,300,000	6,241,000	1,200,000	62,341,000	467,946	50,967	9,799	509,113	—	—	—	—
Long-term loans payable in trust (7)	Mitsubishi UFJ Trust and Banking Corporation (5)	2,700,000	—	—	2,700,000	22,049	—	—	22,049	1.900	March 31, 2018	(2)	Secured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (5)	2,860,000	—	—	2,860,000	23,356	—	—	23,356	1.900	March 31, 2019		
	Mitsubishi UFJ Trust and Banking Corporation (5)	1,830,000	—	—	1,830,000	14,944	—	—	14,944	1.900	March 31, 2020		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)				(1)			
Long-term loans payable (6)	Sumitomo Mitsui Banking Corporation (3)	12,400,000	—	400,000	12,000,000	101,265	—	3,266	97,999	0.930	July 14, 2017	(2)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (3)	12,400,000	—	400,000	12,000,000	101,265	—	3,266	97,999	0.930	July 14, 2017		
	Mizuho Bank, Ltd. (3)	12,400,000	—	400,000	12,000,000	101,265	—	3,266	97,999	0.930	July 14, 2017		
	Shinsei Bank, Limited (3)	6,500,000	—	—	6,500,000	53,082	—	—	53,082	0.930	July 14, 2017		
	Citibank Japan Ltd. (3)	6,500,000	—	—	6,500,000	53,082	—	—	53,082	0.930	July 14, 2017		
	Sumitomo Mitsui Trust Bank, Limited (3)	5,000,000	—	—	5,000,000	40,832	—	—	40,832	0.930	July 14, 2017		
	Resona Bank, Limited (3)	2,100,000	—	—	2,100,000	17,149	—	—	17,149	0.930	July 14, 2017		
	Sumitomo Mitsui Banking Corporation (4)	—	1,357,000	—	1,357,000	—	11,082	—	11,082	0.930	February 6, 2018	(2)	Secured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (4)	—	1,357,000	—	1,357,000	—	11,082	—	11,082	0.930	February 6, 2018		
	Mizuho Bank, Ltd. (4)	—	1,357,000	—	1,357,000	—	11,082	—	11,082	0.930	February 6, 2018		
	Shinsei Bank, Limited (4)	—	650,000	—	650,000	—	5,308	—	5,308	0.930	February 6, 2018		
	Citibank Japan Ltd. (4)	—	650,000	—	650,000	—	5,308	—	5,308	0.930	February 6, 2018		
	Sumitomo Mitsui Trust Bank, Limited. (4)	—	470,000	—	470,000	—	3,838	—	3,838	0.930	February 6, 2018		
	Resona Bank, Limited. (4)	—	400,000	—	400,000	—	3,266	—	3,266	0.930	February 6, 2018		
	Mitsubishi UFJ Trust and Banking Corporation (5)	2,570,000	—	—	2,570,000	20,988	—	—	20,988	1.900	March 31, 2019		
Total long-term loans payable in trust	9,960,000	—	—	9,960,000	81,339	—	—	81,339	—	—	—	—	
Total loans payable	67,260,000	6,241,000	1,200,000	72,301,000	549,285	50,967	9,799	590,453	—	—	—	—	

Notes:

- (1) The average interest rate indicates a weighted average interest rate for each six-month period, rounded to three decimal places.
- (2) The funds are mainly used to acquire real estate properties or properties in trust.
- (3) The part of principal (¥1,200 million) was repaid on April 30, 2015.
The remaining balance as of June 30, 2015 was repaid on July 16, 2015.
- (4) The principal was repaid in full on July 16, 2015.
- (5) Mitsubishi UFJ Trust and Banking Corporation ("Mitsubishi UFJ Trust"), the trustee of real estate held in trust for which the Company is the beneficiary, borrows money from Prudential Mortgage Asset Holdings 1 Japan Investment Business Limited Partnership, a part of the Prudential Financial, Inc. as of September 28, 2012. The Company received the borrowed funds (after deducting reserves and other proceeds) from Mitsubishi UFJ Trust as payment of the trust principal for the real estate in trust on the same day.

- (6) Long-term loans payable includes current portion.
(7) Long-term loans payable in trust includes current portion.

9. Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new investment units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50,000 thousand (US\$ 408 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of investment units authorized were 10,000,000 units as of December 31, 2014 and June 30, 2015.

The number of investment units issued and outstanding were 2,668,686 units as of December 31, 2014 and June 30, 2015 respectively.

10. Appropriation of Retained Earnings

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

The following table shows the appropriation of retained earnings for the six months ended December 31, 2014 and June 30, 2015.

	For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 2,031,546	¥ 2,370,704	\$ 19,360
Cash distribution declared	(1,956,146)	(2,295,069)	(18,742)
Retained earnings carried forward	¥ 75,399	¥ 75,634	\$ 617

A dividend in respect of the six months ended June 30, 2015 of ¥860 (US\$7.0) per investment unit, amounting to a total dividend of ¥2,295,069 thousand (US\$18,742 thousand) was proposed and approved at the Board of Directors meeting on August 26, 2015. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥733 and ¥860 (US\$7.0) for the six months ended December 31, 2014, and June 30, 2015, respectively.

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

Rent revenue – real estate and expenses related to property rental business for the six months ended December 31, 2014 and June 30, 2015 consist of the following:

	For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges	¥ 4,408,874	¥ 4,738,713	\$ 38,699
Other	201,843	236,047	1,927
Total rental revenue – real estate	¥ 4,610,717	¥ 4,974,760	\$ 40,626
Expenses related to property rental business:			
Facility management fees	¥ 460,196	¥ 468,393	\$ 3,825
Property related taxes	163,789	201,860	1,648
Insurance expense	6,084	7,061	57
Depreciation	837,259	986,765	8,058
Other	119,524	169,957	1,387
Total expenses related to property rental business	¥ 1,586,854	¥ 1,834,039	\$ 14,977
Operating income from property leasing activities	¥ 3,023,863	¥ 3,140,721	\$ 25,649

12. Income Taxes

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

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

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

	For the six months ended	
	December 31, 2014	June 30, 2015
	(Rate)	
Statutory tax rates	34.16 %	34.15 %
Deductible cash distributions	(33.54)	(33.80)
Increase (decrease) in valuation allowance	(0.46)	0.63
Other	(0.13)	(0.95)
Effective tax rates	0.03 %	0.03 %

(b) Deferred tax assets consist of the following:

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Current:			
Enterprise tax payable	¥ -	¥ 489	\$ 3
Rental receivables (merger)	197	186	1
Allowance for doubtful accounts	672	787	6
Total	870	1,463	11
Non-current:			
Buildings and other (merger)	801,025	746,394	6,095
Land (merger)	2,251,597	2,129,657	17,392
Net loss carried forward	7,749,271	7,329,595	59,857
Subtotal	10,801,895	10,205,647	83,345
Valuation allowance	(10,802,765)	(10,207,110)	(83,357)
Total	—	—	—
Net deferred tax assets	¥ —	¥ —	\$ —

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

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

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

13. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of December 31, 2014 and June 30, 2015 scheduled to be received are summarized as follows:

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 1,843,409	¥ 2,413,667	\$ 19,711
Due over one year	15,485,197	21,199,677	173,129
Total	¥ 17,328,607	¥ 23,613,345	\$ 192,840

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of December 31, 2014 and June 30, 2015 scheduled to be paid are summarized as follows:

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 112,249	¥ 112,249	\$ 916
Due over one year	2,224,164	2,168,039	17,705
Total	¥ 2,336,413	¥ 2,280,288	\$ 18,622

14. Financial Instruments

(a) Qualitative information for financial instruments

i. Policy for financial instrument transactions

The Company raises funds through loans payable and the issuance of investment units to acquire real estate properties, pay property maintenance expenses and/or repay existing loans payable. Surplus funds are managed carefully through investments in financial instruments taking into account liquidity and safety in light of the current financial market conditions. Derivative instruments are used only for hedging purposes and not for speculation. The Company did not enter into any derivative transactions for the six months ended December 31, 2014 and June 30, 2015.

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

The funds raised through loans payable are mainly used to acquire real estate properties or properties in trust and for the repayment of existing loans payable. Liquidity risks relating to loans payable are managed by the finance department of the Asset Manager by preparing monthly plans for funds, and monitoring the covenants defined in loan agreements.

iii. Supplemental information for financial instruments

The fair value of financial instruments is based on quoted market prices if available. When quoted market prices are not available, fair value is estimated using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated value may differ.

(b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair values and valuation differences of financial instruments for which fair value is available as of December 31, 2014 and June 30, 2015.

	As of										
	December 31, 2014			June 30, 2015			June 30, 2015				
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference		
(in thousands of yen)									(in thousands of U.S. dollars)		
Assets:											
Current:											
(1) Cash and bank deposits	¥ 9,153,872	¥ 9,153,872	¥ -	¥ 2,691,921	¥ 2,691,921	¥ -	\$ 21,983	\$ 21,983	\$ -		
(2) Cash and bank deposits in trust	4,011,521	4,011,521	-	4,822,622	4,822,622	-	39,384	39,384	-		
Total assets	¥ 13,165,393	¥ 13,165,393	¥ -	¥ 7,514,543	¥ 7,514,543	¥ -	\$ 61,368	\$ 61,368	\$ -		
Liabilities:											
(3) Current portion of long-term loans payable	1,200,000	1,200,000	-	62,341,000	62,341,000	-	509,113	509,113	-		
(4) Long-term loans payable	56,100,000	56,100,000	-	-	-	-	-	-	-		
(5) Current portion of long-term loans payable in trust	18,167	18,251	84	9,960,000	9,960,000	-	81,339	81,339	-		
(6) Long-term loans payable in trust	9,941,832	10,156,234	214,401	-	-	-	-	-	-		
Total liabilities	¥ 67,260,000	¥ 67,474,486	¥ 214,486	¥ 72,301,000	¥ 72,301,000	¥ -	\$ 590,453	\$ 590,453	\$ -		

Notes

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

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

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

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

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

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

	As of		
	December 31, 2014	June 30, 2015	June 30, 2015
	(in thousands of yen)	(in thousands of yen)	(in thousands of U.S. dollars)
Tenant leasehold and security deposits	¥ 28,663	¥ 28,663	\$ 234
Tenant leasehold and security deposits in trust	1,109,146	1,420,014	11,596

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

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

	As of					
	December 31, 2014	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
	(in thousands of yen)	(in thousands of yen)	(in thousands of yen)	(in thousands of yen)	(in thousands of yen)	(in thousands of U.S. dollars)
As of December 31, 2014:						
Cash and bank deposits	¥ 9,153,872	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	4,011,521	-	-	-	-	-
Total	¥ 13,165,393	¥ -	¥ -	¥ -	¥ -	¥ -
As of June 30, 2015:						
Cash and bank deposits	¥ 2,691,921	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	4,822,622	-	-	-	-	-
Total	¥ 7,514,543	¥ -	¥ -	¥ -	¥ -	¥ -

	As of					
	December 31, 2014	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
	(in thousands of U.S. dollars)	(in thousands of U.S. dollars)	(in thousands of U.S. dollars)	(in thousands of U.S. dollars)	(in thousands of U.S. dollars)	(in thousands of U.S. dollars)
As of June 30, 2015:						
Cash and bank deposits	\$ 21,983	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	39,384	-	-	-	-	-
Total	\$ 61,368	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2014:						
Current portion of long-term loans payable	¥ 1,200,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	-	56,100,000	-	-	-
Current portion of long-term loans payable in trust	18,167	-	-	-	-	-
Long-term loans payable in trust	-	73,807	104,256	2,894,530	5,143,274	1,725,963
Total	¥ 1,218,167	¥ 73,807	¥ 56,204,256	¥ 2,894,530	¥ 5,143,274	¥ 1,725,963

As of June 30, 2015:						
Current portion of long-term loans payable	¥ 62,341,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	-	-	-	-	-
Current portion of long-term loans payable in trust	9,960,000	-	-	-	-	-
Long-term loans payable in trust	-	-	-	-	-	-
Total	¥ 72,301,000	¥ -	¥ -	¥ -	¥ -	¥ -

	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, 2015:						
Current portion of long-term loans payable	\$ 509,113	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term loans payable	-	-	-	-	-	-
Current portion of long-term loans payable in trust	81,339	-	-	-	-	-
Long-term loans payable in trust	-	-	-	-	-	-
Total	\$ 590,453	\$ -	\$ -	\$ -	\$ -	\$ -

15. Segment Information

Effective from the six months ended June 30, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised on March 27, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

Segment information for the six months ended December 31, 2014 and June 30, 2015 is as follows:

(a) Operating Segment Information

Disclosure is omitted as the Company is comprised of a single reportable segment engaged in the property rental business.

(b) Enterprise-wide Disclosures

(i) Information about Products and Services

Disclosure is not required as revenues from external customers for the single segment are in excess of 90% of total revenues.

(ii) Information about Geographic Areas

(1) Revenues from Overseas Customers:

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

(2) Tangible Fixed Assets:

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

(c) Information about Major Customers

Information about major clients for the six-month periods ended December 31, 2014 and June 30, 2015 were as follows:

For the six months ended December 31, 2014

Name of client	Operating Revenues (in thousands of yen)	Related segment
Mystays Hotel Management Co.,Ltd.	¥1,722,789	Real estate investing business

For the six months ended June 30, 2015

Name of client	Operating Revenues (in thousands of yen)	Operating Revenues (in thousands of U.S. dollars)	Related segment
Mystays Hotel Management Co.,Ltd.	¥1,760,999	\$14,381	Real estate investing business

16. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

For the six months ended December 31, 2014

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)			Type of transactions	Amounts (1)	Balance sheet account	Amounts(1)
								(in thousands of yen)		(in thousands of yen)
Interested party of the Asset Manager	Zephyrus TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(3)	¥14878,412	—	—
	Nishi TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(3)	¥ 4473,000	—	—
	Shijodori holding TMK(3)	Minato-ku Tokyo	Investment management business	¥ 279	—	Seller of real estate trust beneficiary rights	beneficiary rights(2)(3)	¥ 7,594,980	—	—
	Darube 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)(3)	¥ 3,845,400	—	—
	Nagahoribashi holding TMK(3)	Minato-ku Tokyo	Investment management business	¥ 82	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(3)	¥ 2,514,820	—	—
	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)(3)	¥ 6,631,968	—	—
	Mystays Hotel Management, Co.Ltd(3)	Minato-ku Tokyo	Hotel management business	¥ 100	—	Lease holder and operator of hotel	Rental Revenues	¥ 1,722,789	Rental receivables	540,064

Notes:

- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- The seller, Zephyrus TMK, Nishi TMK, Shijodori holding TMK, Darube TMK, Nagahoribashi holding TMK, Aki TMK and Mystays Hotel Management, Co.Ltd has no relationship to be stated, but they receive investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Zephyrus TMK, Nishi TMK, Shijodori holding TMK, Darube TMK, Nagahoribashi holding TMK, Aki TMK and Mystays Hotel Management, Co.Ltd as a related party.

- (4) Calliope holds 609,942 units (holding ratio: 22.85%) of the issued investment units of the Company.
- (5) Sale price and acquisition price exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)
D3	Hotel MyStays Kyoto-Shijo	Shijodori holding TMK	6,024,460
D4	MyStays Shin-Urayasu Conference Center	Zephyrus TMK	4,930,200
D5	Hotel MyStays Maihama	Zephyrus TMK	4,870,312
D6	Hotel Vista Premio Dojima	Danube TMK	3,845,400
D7	Hotel MyStays Nagoya-Sakae	Zephyrus TMK	2,958,000
D8	Hotel MyStays Sakaisuji-Honmachi	Nagahoribashi holding TMK	2,514,820
D9	Hotel MyStays Yokohama	Zephyrus TMK	2,119,900
D10	Hotel MyStays Nippori	Nishi TMK	1,898,540
D11	Hotel MyStays Fukuoka-Tenjin-Minami	Shijodori holding TMK	1,570,520
D12	Flexstay Inn Iidabashi	Aki TMK	1,381,660
D13	Hotel MyStays Ueno Inaricho	Nishi TMK	1,331,960
D14	Flexstay Inn Shinagawa	Nishi TMK	1,242,500
D15	Flexstay Inn Tokiwadai	Aki TMK	1,242,500
D16	Flexstay Inn Sugamo	Aki TMK	1,192,800
D17	Hotel MyStays Otemae	Aki TMK	1,192,800
D18	Flexstay Inn Kiyosumi Shirakawa	Aki TMK	749,476
D19	Flexstay Inn Nakanobu P1	Aki TMK	589,442
D20	Flexstay Inn Nakanobu P2	Aki TMK	283,290
Total			39,938,580

For the six months ended June 30, 2015

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period			Balance at the end of period		
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts(1)		Balance sheet account	Amounts(1)	
									(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Interested party of the Asset Manager	Zephyrus TMK(3)	Minato-ku, Tokyo	Investment management business	¥ 0.1	\$ 0	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 2,792,000	\$ 22,801	—	—	—
	Nishi TMK(3)	Minato-ku, Tokyo	Investment management business	¥ 0.1	\$ 0	—	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 2,119,000	\$ 17,305	—	—	—
	Mystays Hotel Management, Co.Ltd(5)	Minato-ku, Tokyo	Hotel management business	¥ 100	\$ 0	—	Lease holder and operator of hotel	Rental Revenues	¥ 1,761,999	\$ 14,381	Rental receivables	501,272	4,093

Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- (2) Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- (3) The seller, Zephyrus TMK, Nishi TMK, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, but they receives investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Zephyrus TMK, Nishi TMK, and Mystays Hotel Management, Co. Ltd as a related party.
- (4) Calliope holds 609,942 units (holding ratio: 22.85%) of the issued investment units of the Company.
- (5) Sale price and acquisition price exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

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

(b) Board of Directors and Major Individual Unitholders

For the six months ended December 31, 2014

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period		Balance at the end of period	
				Type of transactions	Amounts (3) (in thousands of yen)	Balance sheet account	Amounts (3) (in thousands of yen)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	—	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 128,993	Accrued expenses	¥ 67,500
				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, 2015

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period			Balance at the end of period		
				Type of transactions	Amounts (3) (in thousands of yen)	(in thousands of U.S. dollars)	Balance sheet account	Amounts (3) (in thousands of yen)	(in thousands of U.S. dollars)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	—	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 180,000	\$ 1,469	Accrued expenses	¥ 97,200	\$ 793
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	\$ 4	Accrued expenses	¥ 864	\$ 7

Notes:

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

17. Per Unit Information

The following table shows net asset value per unit as of December 31, 2014 and June 30, 2015, and net income per unit for the six months then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Company has no potentially dilutive units.

	As of / For the six months ended		
	December 31, 2014	June 30, 2015	June 30, 2015
	(Yen)		(U.S. dollars)
Net asset value per unit	¥ 23,005	¥ 23,132	\$ 188
Net income per unit	762	860	7
Weighted average number of units	2,570,932	2,668,686	—

18. Subsequent Events

(a) Issuance of New Investment Units

The Company resolved at its meeting of the board of directors held on June 25, 2015 and July 8, 2015 respectively to conduct 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 15, 2015. In addition, with 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 12, 2015. As a result, Unitholders' capital has become JPY 82,465 million and the number of investment units issued and outstanding has become 3,193,686 units.

(i) Issuance of new investment units through public offering

	:	500,000 units
(a) Number of investment units	Domestic public offering :	211,250 units
	International offering :	288,750 units
(b) Issue price (offer price)	:	JPY 57,817 per unit
(c) Total issue price (total offer price)	:	JPY 28,908,500,000
(d) Amount paid in (issue value)	:	JPY 55,941 per unit
(e) Total amount paid in (total issue value)	:	JPY 27,970,500,000
(f) Payment date	:	July 15, 2015

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

(a) Number of investment units	:	25,000 units
(b) Offer price	:	JPY 57,817 per unit
(c) Total offer value	:	JPY 1,445,425,000
(d) Delivery date	:	July 16, 2015

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

(a) Number of new investment units	:	25,000 units
(b) Amount paid in (issue value)	:	JPY 55,941 per unit
(c) Total amount paid in (total issue value)	:	JPY 1,398,525,000
(d) Payment date	:	August 12, 2015
(e) Allotee	:	Mizuho Securities Co., Ltd.

(b) New borrowings

The Company borrowed money on July 16, 2015 to fund a portion of the acquisition of 11 hotel properties and 3 residential properties and to obtain a new syndicate loan (New Syndicate Loan (E)) to refinance the New Syndicate Loan (C)(D), together with the Prudential LPS Loan B.

New Syndicate Loan (E)

(a) Lender	:	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. Shinsei Bank, Limited Citibank Japan Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation
(b) Borrowing amount	:	JPY 88,338 million
(c) Interest rate	:	One-month JPY TIBOR + spread (0.20, 0.40, 0.50, 0.60%)
(d) Interest payment date	:	Last business day of each month from borrowing date through principal maturity date, with the first interest payment date set on July 31, 2015.
(e) Method of principal repayment	:	To be repaid in full on each principal maturity date
(f) Borrowing method	:	No secured / with no guarantee

- (g) Borrowing date : July 16, 2015
 (h) Principal maturity date : May 16, 2016, July 16, 2018, July 16, 2019, July 16, 2020

Furthermore, the Company borrowed money on August 28, 2015 to fund a portion of the acquisition of 3 hotels.

Term Loan (A)

- (a) Lender : Mizuho Bank, Ltd.
 (b) Borrowing amount : JPY 3,682 million
 (c) Interest rate : One-month JPY TIBOR + spread (0.50%)(Note)
 (d) Interest payment date : Last business day of each month from borrowing date through principal maturity date, with the first interest payment date set on September 30, 2015.
 (e) Method of principal repayment : To be repaid in full on the principal maturity date
 (f) Borrowing method : No secured / with no guarantee
 (g) Borrowing date : August 28, 2015
 (h) Principal maturity date : August 28, 2019

(Note) The interest rate applicable for the first interest calculation period only will be two-month JPY TIBOR (Base Rate) + spread (0.5%).

(c) Prepayment of Existing Borrowings

The Company carried out prepayment of existing borrowings in order to reduce borrowing costs and acquisition of the 11 hotel properties and 3 residential properties.

The overview of prepayment is as follows:

New Syndicate Loan (C)

- (a) Lender : Sumitomo Mitsui Banking Corporation
 The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Mizuho Bank, Ltd.
 Citibank Japan Ltd.
 Shinsei Bank, Limited
 Sumitomo Mitsui Trust Bank, Limited
 Resona Bank, Limited
 (b) Outstanding borrowing amount before prepayment : JPY 56,100 million
 (c) Interest rate : One-month JPY TIBOR + spread (0.80%)
 (d) Borrowing method : Secured / with no guarantee
 (e) Borrowing date : July 17, 2014
 (f) Principal maturity date : July 14, 2017
 (g) Prepayment date : July 16, 2015
 (h) Prepayment amount : JPY 56,100 million
 (i) Outstanding borrowing amount after prepayment : JPY 0

New Syndicate Loan (D)

- (a) Lender : Sumitomo Mitsui Banking Corporation
 The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Mizuho Bank, Ltd.
 Citibank Japan Ltd.
 Shinsei Bank, Limited
 Sumitomo Mitsui Trust Bank, Limited
 Resona Bank, Limited
 (b) Outstanding borrowing amount before prepayment : JPY 6,241 million
 (c) Interest rate : One-month JPY TIBOR + spread (0.80%)
 (d) Borrowing method : Secured / with no guarantee
 (e) Borrowing date : February 6, 2015
 (f) Principal maturity date : February 6, 2018
 (g) Prepayment date : July 16, 2015

- (h) Prepayment amount : JPY 6,241 million
 (i) Outstanding borrowing amount after prepayment : JPY 0

Prudential LPS Loan B

- (a) Lender : Prudential Mortgage Asset Holdings 1 Japan Investment Limited Partnership
 (b) Outstanding borrowing amount before prepayment : JPY 9,960 million
 (c) Interest rate : 1.90% Fixed interest rate
 (d) Borrowing method : Secured / with no guarantee
 (e) Borrowing date : September 28, 2012
 (f) Principal maturity date : March 31, 2018, March 31, 2019, March 31, 2020
 (g) Prepayment date : July 16, 2015
 (h) Prepayment amount : JPY 9,960 million
 (i) Outstanding borrowing amount after prepayment : JPY 0

(d) Acquisition of Assets

The Company acquired the 14 properties on July 16, 2015.

The overview of 14 properties is as follows,

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
Hotel	D24	Hotel Mystays Haneda	Ota-ku, Tokyo	7,801	5,400.16 m ²	Skye TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D25	Hotel Mystays Kameido P1	Koto-ku, Tokyo	5,594	4,349.67 m ²	Nishi TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D26	Hotel Mystays Ueno Iriyaguchi	Taito-ku, Tokyo	3,821	2,247.92 m ²	Rannoch TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D27	Hotel Mystays Kameido P2	Koto-ku, Tokyo	3,742	2,793.99 m ²	Nishi TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D28	Hotel Vista Shimizu	Shizuoka-shi, Shizuoka	2,198	3,559.81 m ²	Wakusei TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D29	Super Hotel Shinbashi/Karasumoriguchi	Minato-ku, Tokyo	1,624	1,403.89 m ²	Suisei TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D30	Flexstay Inn Higashi-Jujo	Kita-ku, Tokyo	1,277	1,714.53 m ²	Aki TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D31	Hotel MyStays Utsunomiya	Utsunomiya-shi, Tochigi	1,237	11,733.23 m ²	Zephyrus TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D32	Flexstay Inn Kawasaki-Kaizuka	Kawasaki-shi, Kanagawa	980	1,190.57 m ²	Rannoch TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D33	Comfort Hotel Toyama Ekimae	Toyama-shi, Toyama	979	3,305.64 m ²	Suisei TokuteiMokuteki Kaisha	Trust Beneficial Interest

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
	D34	Flexstay Inn Kawasaki-Ogawacho	Kawasaki-shi, Kanagawa	906	725.6 m ²	Rannoch TokuteiMokuteki Kaisha	Trust Beneficial Interest
Subtotal				30,159	38,425.01 m ²		
Residential	A100	City Court Kitaichijo	Sapporo-shi, Hokkaido	1,782	5,230.18 m ²	Godo Kaisha Baretta	Trust Beneficial Interest
	A101	Lieto Court Mukojima	Sumida-ku, Tokyo	1,683	2,940.20 m ²	Godo Kaisha Baretta	Trust Beneficial Interest
	A102	Lieto Court Nishi-Ojima	Koto-ku, Tokyo	1,634	2,048.28 m ²	Godo Kaisha Baretta	Trust Beneficial Interest
Subtotal				5,099	10,218.66 m ²		
Total				35,258	48,643.67 m ²		

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

Furthermore, the Company acquired the 3 properties on August 28, 2015.

The overview of 3 properties is as follows,

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
Hotel	D35	Flexstay Inn Ekoda	Nerima-ku, Tokyo	5,069	3,932.93 m ²	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	Tachikawa-shi, Tokyo	1,170	1,832.97 m ²	Tsukiji One Godo Kaisha	Trust Beneficial Interest
	D37	Super Hotel JR Ueno-Iriyaguchi	Taito-ku, Tokyo	1,130	1,279.16 m ²	Tsukiji One Godo Kaisha	Trust Beneficial Interest
Total				7,369	7,045.06 m ²		

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