

Invincible Investment
Corporation

**Audited Financial Statements
for the 26th Fiscal Period
(from January 1, 2016 to June 30, 2016)**

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

I would like to take this opportunity to express my sincere gratitude to all investors in 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 26th fiscal period (covering the period from January 1, 2016 to June 30, 2016; the “Reporting Period”).

As described below, INV achieved robust results for the Reporting Period, despite changes in the hotel macro environment such as the sharp yen appreciation.

In March of this year, we conducted our third global public offering (the “Capital Increase”) in three years that raised JPY 37.9 billion in funds (including third-party allotment). The proceeds from the Capital Increase were used together with new loans to acquire four hotels and one residential property in March 2016. In total INV completed three separate property acquisitions to maintain its external growth strategy during the Reporting Period, with a total acquisition price of JPY 92.8 billion. As a result, the total value of the assets under management (AUM) as of June 30, 2016 was JPY 266.6 billion (of which, hotels accounted for JPY 181.0 billion), sustaining a strong track record of external growth in which AUM increased by 53.4% compared to the end of the previous fiscal period (based on acquisition price).

The hotel portfolio maintained solid internal growth; the average daily rate (the “ADR”) across the entire portfolio increased 8.5% and net operating income (the “NOI”) increased 11.0% compared to the same period in the previous year, respectively, despite the temporary decline in room demand experienced as a result of the effects of the Kumamoto Earthquake in April, and the day configuration for the Golden Week holidays in May. In addition, INV achieved consistently strong internal growth in its residential portfolio, a core asset class alongside hotels, with increases in both the average occupancy rate and the average rent per *tsubo* (1 *tsubo* = 3.3 square meters), and NOI increased by 5.1% compared to the same period in the previous year for the same properties that were owned as of the end of 2014.

With respect to financial operations, INV introduced five new financial institutions as lenders, including Development Bank of Japan Inc., to further strengthen its lender formation. INV also executed interest rate swap agreements of JPY 99.1 billion in order to improve its financial stability by fixing the interest rate on 69.8% of its existing borrowings.

As a result of the efforts mentioned above, operating revenues increased by 64.0% over the same period in the previous year to JPY 8,158 million, net income increased by 90.1% to JPY 4,363 million, and the distribution per unit (the “DPU”) increased by 37.9% to JPY 1,186.

INV renewed the Memorandum of Understanding (the “MOU”) with Fortress-related special purpose companies, concerning preferential negotiation rights regarding 22 hotels and 9 residential properties, thereby securing a pipeline of assets in which the hotel room count is comparable to the total number of hotel rooms owned by INV. Going forward, we seek to promote the acquisition of hotels and residential properties to build a portfolio that demonstrates both growth and stability by utilizing this extensive Sponsor pipeline. Moreover, with respect to INV’s internal growth, we will continue our efforts to maximize revenue from the hotel portfolio, which is expected to achieve steady growth in the medium to long-term. For the residential properties, we will continue our efforts in the rent increase program to maximize NOI by taking advantage of a portfolio consisting

mainly of small-type residential properties in major cities. In regards to financial operations, following the introduction of Japan Post Bank Co., Ltd. and others as new lenders in July of this year, along with the September announcement that INV obtained an 'A' credit rating with a 'Positive' outlook from Japan Credit Rating Agency, Ltd., INV will aim to further strengthen its lender formation, broaden its investor base, and make efforts to lengthen borrowing terms and diversify financing measures including issuing REIT bonds.

INV will continue to implement the basic policy to "increase DPU," and will ensure the implementation of measures to enhance unitholder value.

Your continued support is highly appreciated.



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

Fixed Distributions	The 26th fiscal period (the fiscal period ended June 2016)	Per investment unit JPY 1,186
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(Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of the end of August, 2016. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV's control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

Independent Auditor's Report

The Board of Directors
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at June 30, 2016, 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, 2016, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 4.

Ernst & Young Shinnihon LLC

September 23, 2016
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET

As of June 30, 2016

	As of		
	December 31, 2015	June 30, 2016	
	(in thousands of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 6 and 15)	¥ 7,885,398	¥ 11,322,762	\$ 110,025
Cash and bank deposits in trust (Notes 6 and 15)	5,933,582	5,441,316	52,874
Accounts receivable	124	201	1
Rental receivables	1,069,352	1,375,846	13,369
Prepaid expenses	241,931	394,524	3,833
Consumption taxes receivable	928,025	2,672,787	25,972
Other	35	35	0
Allowance for doubtful accounts	(2,494)	(2,764)	(26)
Total current assets	16,055,955	21,204,709	206,051
Non-current assets:			
Property and equipment (Notes 7 and 8):			
Buildings, at cost	85,914	85,914	834
Buildings and accompanying facilities, at cost	38,862	38,862	377
Structures, at cost	2,779	2,779	27
Land	711,834	711,834	6,917
Buildings in trust, at cost	65,882,282	101,837,752	989,580
Buildings and accompanying facilities in trust, at cost	15,364,500	23,193,164	225,373
Structures in trust, at cost	327,632	336,691	3,271
Tools, furniture and fixtures in trust, at cost	401,404	500,608	4,864
Land in trust	88,435,785	135,384,518	1,315,562
Construction in progress in trust	-	46,368	450
Subtotal	171,250,996	262,138,495	2,547,259
Less: Accumulated depreciation	(7,836,243)	(9,492,518)	(92,240)
Total property and equipment, net	163,414,753	252,645,976	2,455,018
Intangible assets:			
Leasehold rights in trust	5,836,789	8,871,542	86,206
Other	15	-	-
Total intangible assets	5,836,804	8,871,542	86,206
Investments and other assets:			
Guarantee deposits	39,518	613,914	5,965
Long-term prepaid expenses	533,409	729,351	7,087
Other	38,429	40,640	394
Total investments and other assets	611,357	1,383,905	13,447
Total non-current assets	169,862,915	262,901,424	2,554,673
TOTAL ASSETS	¥ 185,918,871	¥ 284,106,133	\$ 2,760,724

	As of		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Accounts payable	¥ 136,766	¥ 188,362	\$ 1,830
Short-term loans payable (Notes 9 and 15)	1,080,000	3,498,000	33,990
Accounts payable-other	47,597	8,957,286	87,040
Accrued expenses	134,010	186,571	1,812
Income taxes payable	564	605	5
Advances received	473,164	507,135	4,927
Deposits received	23,043	21,072	204
Total current liabilities	1,895,146	13,359,034	129,812
Non-current liabilities:			
Long-term loans payable (Notes 9 and 15)	90,619,000	138,419,000	1,345,049
Tenant leasehold and security deposits in trust (Note 15)	1,617,867	2,035,843	19,782
Tenant leasehold and security deposits (Note 15)	28,663	28,663	278
Derivatives liabilities(Note 16).....	-	227,532	2,210
Asset retirement obligations(Note 17).....	-	31,050	301
Total non-current liabilities	92,265,530	140,742,089	1,367,623
TOTAL LIABILITIES	94,160,677	154,101,123	1,497,435
NET ASSETS (Note 10)			
Unitholders' equity:			
Unitholders' capital	82,465,438	120,367,271	1,169,636
Surplus:			
Capital surplus	6,264,432	6,264,432	60,872
Deduction of capital surplus	-	(763,290)	(7,417)
Capital surplus (net).....	6,264,432	5,501,141	53,455
Voluntary retained earnings			
Reserve for temporary differences adjustment(Note 5).....	-	708	6
Voluntary retained earnings	-	708	6
Retained earnings	3,028,323	4,363,420	42,400
Total surplus	9,292,755	9,865,270	95,863
Total unitholders' equity	91,758,194	130,232,542	1,265,499
Valuation and translation adjustments:			
Deferred gains or losses on hedges	-	(227,532)	(2,210)
Total valuation and translation adjustments	-	(227,532)	(2,210)
TOTAL NET ASSETS	91,758,194	130,005,009	1,263,288
TOTAL LIABILITIES AND NET ASSETS	¥ 185,918,871	¥ 284,106,133	\$ 2,760,724

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, 2016

	For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rental revenue—real estate (Note 12)	¥ 6,863,775	¥ 8,158,220	\$ 79,275
Total operating revenue	<u>6,863,775</u>	<u>8,158,220</u>	<u>79,275</u>
Operating expenses			
Property related expenses (Note 12)	2,178,165	2,697,986	26,216
Directors' compensation	4,800	4,800	46
Asset management fees	180,000	250,000	2,429
Asset custody fees	6,794	9,128	88
Administrative service fees	25,170	24,010	233
Provision of allowance for doubtful accounts	58	269	2
Other	99,677	98,120	953
Total operating expenses	<u>2,494,667</u>	<u>3,084,315</u>	<u>29,970</u>
Operating income	<u>4,369,108</u>	<u>5,073,905</u>	<u>49,304</u>
Non-operating income			
Interest income	814	1,316	12
Interest on tax refund	936	1,372	13
Other	454	213	2
Total non-operating income	<u>2,205</u>	<u>2,902</u>	<u>28</u>
Non-operating expenses			
Interest expenses	296,892	295,185	2,868
Loan-related costs	982,261	280,326	2,723
Investment unit issuance costs	138,866	137,270	1,333
Total non-operating expenses	<u>1,418,020</u>	<u>712,782</u>	<u>6,926</u>
Ordinary income	<u>2,953,293</u>	<u>4,364,025</u>	<u>42,406</u>
Income before income taxes	<u>2,953,293</u>	<u>4,364,025</u>	<u>42,406</u>
Income taxes (Note 13):			
Current	605	605	5
Deferred	-	-	-
Total income taxes	<u>605</u>	<u>605</u>	<u>5</u>
Net income	<u>2,952,688</u>	<u>4,363,420</u>	<u>42,400</u>
Retained earnings brought forward	<u>75,634</u>	<u>-</u>	<u>-</u>
Unappropriated retained earnings (Note 10)	<u>¥ 3,028,323</u>	<u>¥ 4,363,420</u>	<u>\$ 42,400</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, 2016

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus	Capital surplus		Voluntary reserve	
			Deduction of capital surplus	Capital surplus(Net)	Reserve for temporary differences adjustment	Voluntary reserve
(in thousands of yen)						
Balance as of June 30, 2015	¥ 53,096,413	¥ 6,264,432	¥ -	¥ 6,264,432	¥ -	¥ -
Changes during the period						
Issuance of new investment units	29,369,025					
Dividends from surplus						
Net income						
Net Changes other than unitholders' equity						
Total changes during the period	29,369,025	-	-	-	-	-
Balance as of December 31, 2015	¥ 82,465,438	¥ 6,264,432	¥ -	¥ 6,264,432	¥ -	¥ -
Changes during the period						
Issuance of new investment units	37,901,832					
Dividends in excess of retained earnings			(763,290)	(763,290)		
Reservation for temporary difference adjustment					708	708
Dividends from surplus						
Net income						
Net Changes other than unitholders' equity						
Total changes during the period	37,901,832	-	(763,290)	(763,290)	708	708
Balance as of June 30, 2016	¥ 120,367,271	¥ 6,264,432	¥ (763,290)	¥ 5,501,141	¥ 708	¥ 708

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
	(in thousands of yen)					
Balance as of June 30, 2015	¥ 2,370,704	¥ 8,635,136	¥ 61,731,550	¥ -	¥ -	¥ 61,731,550
Changes during the period						
Issuance of new investment units			29,369,025			29,369,025
Dividends from surplus	(2,295,069)	(2,295,069)	(2,295,069)			(2,295,069)
Net income	2,952,688	2,952,688	2,952,688			2,952,688
Net Changes other than unitholders' equity				-	-	-
Total changes during the period	657,618	657,618	30,026,643	-	-	30,026,643
Balance as of December 31, 2015	¥ 3,028,323	¥ 9,292,755	¥ 91,758,194	¥ -	¥ -	¥ 91,758,194
Changes during the period						
Issuance of new investment units			37,901,832			37,901,832
Dividends in excess of retained earnings		(763,290)	(763,290)			(763,290)
Reservation for temporary difference adjustment	(708)	-	-			-
Dividends from surplus	(3,027,614)	(3,027,614)	(3,027,614)			(3,027,614)
Net income	4,363,420	4,363,420	4,363,420			4,363,420
Net Changes other than unitholders' equity				(227,532)	(227,532)	(227,532)
Total changes during the period	1,335,097	572,515	38,474,348	(227,532)	(227,532)	38,246,815
Balance as of June 30, 2016	¥ 4,363,420	¥ 9,865,270	¥ 130,232,542	¥ (227,532)	¥ (227,532)	¥ 130,005,009

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus		Voluntary reserve		
		Capital surplus	Deduction of capital surplus	Capital surplus(Net)	Reserve for temporary differences adjustment	Voluntary reserve
(in thousands of U.S. dollars)						
Balance as of December 31, 2015	\$ 801,335	\$ 60,872	\$ -	\$ 60,872	\$ -	\$ -
Changes during the period						
Issuance of new investment units	368,300					
Dividends in excess of retained earnings			(7,417)	(7,417)		
Reservation for temporary difference adjustment					6	6
Dividends from surplus						
Net income						
Net Changes other than unitholders' equity						
Total changes during the period	368,300		(7,417)	(7,417)	6	6
Balance as of June 30, 2016	\$ 1,169,636	\$ 60,872	\$ (7,417)	\$ 53,445	\$ 6	\$ 6

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		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, 2015	\$ 29,426	\$ 90,299	\$ 891,635	\$ -	\$ -	\$ 891,635
Changes during the period						
Issuance of new investment units			368,300			368,300
Dividends in excess of retained earnings		(7,417)	(7,417)			(7,417)
Reservation for temporary difference adjustment	(6)	-	-			-
Dividends from surplus	(29,420)	(29,420)	(29,420)			(29,420)
Net income	42,400	42,400	42,400			42,400
Net Changes other than unitholders' equity				(2,210)	(2,210)	(2,210)
Total changes during the period	12,973	5,563	373,864	(2,210)	(2,210)	371,653
Balance as of June 30, 2016	\$ 42,400	\$ 95,863	\$ 1,265,499	\$ (2,210)	\$ (2,210)	\$ 1,263,288

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, 2016

	For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 2,953,293	¥ 4,364,025	\$ 42,406
Depreciation and amortization	1,275,744	1,676,751	16,293
Investment unit issuance costs	138,866	137,270	1,333
Loan-related costs	982,261	280,326	2,723
Interest income	(814)	(1,316)	(12)
Interest expenses	296,892	295,185	2,868
Changes in assets and liabilities			
Increase (decrease) in allowance for doubtful accounts	58	269	2
Decrease (increase) in rental receivables	(431,538)	(306,493)	(2,978)
Decrease (increase) in consumption taxes receivable	(611,612)	(1,744,762)	(16,954)
Increase (decrease) in accounts payable	(25,114)	7,056	68
Increase (decrease) in accounts payable-other	1,989	884,265	8,592
Increase (decrease) in accrued expenses	(9,097)	38,577	374
Increase (decrease) in advances received	52,504	33,971	330
Increase (decrease) in deposits received	12,935	(14,615)	(142)
Other, net	4,131	(34,907)	(339)
Subtotal	4,640,500	5,615,604	54,568
Interest income received	814	1,316	12
Interest expenses paid	(328,496)	(297,081)	(2,886)
Income taxes paid	(583)	(564)	(5)
Net cash provided by operating activities	4,312,234	5,319,276	51,688
Cash flows from investing activities:			
Purchases of property and equipment in trust	(37,422,498)	(82,786,898)	(804,459)
Purchases of leasehold rights in trust	(5,836,789)	(3,055,031)	(29,686)
Repayments of tenant leasehold and security deposits in trust	239,098	(56,280)	(546)
Proceeds from tenant leasehold and security deposits in trust	(40,738)	474,368	4,609
Payments of tenant leasehold and security deposits	(31,694)	(574,396)	(5,581)
Other, net	(2,211)	(2,211)	(21)
Net cash used in investing activities	(43,092,621)	(86,000,448)	(835,686)
Cash flows from financing activities:			
Proceeds from short-term loans payable	1,401,000	3,498,000	33,990
Repayments of short-term loans payable	(321,000)	(1,080,000)	(10,494)
Proceeds from long-term loans payable	90,619,000	47,800,000	464,483
Repayments of long-term loans payable	(62,341,000)	-	-
Repayments of long-term loans payable in trust	(9,960,000)	-	-
Payments for loan-related costs	(1,250,432)	(594,356)	(5,775)
Payments of distributions of earnings	(2,292,901)	(3,014,523)	(29,292)
Payments of distributions in excess of retained earnings	-	(763,290)	(7,417)
Proceeds from issuance of investment units	29,230,158	37,780,441	367,121
Net cash provided by financing activities	45,084,824	83,626,270	812,615
Net increase (decrease) in cash and cash equivalents	6,304,437	2,945,097	28,618
Cash and cash equivalents at beginning of period	7,514,543	13,818,981	134,282
Cash and cash equivalents at end of period (Note 6)	¥ 13,818,981	¥ 16,764,078	\$ 162,900

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, 2016

1. Organization

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

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

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

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

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

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

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

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

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

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

On March 30, 2016, the Company completed its sixth public offering totaling 459,512 new investment units at a price ¥81,217 per unit. 194,144 of such units were issued in connection with a Domestic Public Offering, and the remaining 265,368 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On April 27, 2016, the Company issued an additional 22,626 investments 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.

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, 2016</u>
Buildings	77 years
Buildings and accompanying facilities	8-24
Structures	7-18
Buildings in trust	2-67
Buildings and accompanying facilities in trust	2-33
Structures in trust	3-55
Tools, furniture and fixtures in trust	2-19

(d) Intangible Assets

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

(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 on 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 ¥176,385 (US\$1,713) thousand for the six months ended June 30, 2016.

3. Notes on Change in Presentation Method

“Payment of tenant leasehold and security deposits,” which was included in “Other, net” under “Cash flows from investing activities” in the previous fiscal period, is presented separately, starting from the fiscal period under review, due to greater quantitative materiality. As a result, in the statement of cash flows for the previous fiscal period, the minus JPY 2,211 thousand that was presented in “Other, net” under “Cash flows from investing activities” is reclassified as “Payment of tenant leasehold and security deposits”.

4. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥102.91 = US\$1, the effective rate of exchange prevailing at June 30, 2016. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2016 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

5. Reserve for temporary differences adjustment

JPY 708 thousand reserve for temporary differences adjustment will be reversed as the part of distributions of earnings in following fiscal period.

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, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 7,885,398	¥ 11,322,762	\$ 110,025
Cash and bank deposits in trust	5,933,582	5,441,316	52,874
Cash and cash equivalents	¥ 13,818,981	¥ 16,764,078	\$ 162,900

7. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended June 30, 2016.

	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	¥ 9,948	¥ 541	¥ 75,965
Buildings and accompanying facilities	38,862	-	-	38,862	21,375	781	17,487
Structures	2,779	-	-	2,779	1,401	65	1,377
Land	711,834	-	-	711,834	-	-	711,834
Buildings in trust	65,882,282	35,955,469	-	101,837,752	5,539,382	1,028,835	96,298,370
Buildings and accompanying facilities in trust	15,364,500	7,828,663	-	23,193,164	3,592,722	586,659	19,600,442
Structures in trust	327,632	9,059	-	336,691	147,949	9,908	188,742
Tools, furniture and fixtures in trust	401,404	99,203	-	500,608	179,738	29,665	320,869
Land in trust	88,435,785	46,948,733	-	135,384,518	-	-	135,384,518
Leasehold rights in trust	5,836,789	3,055,031	-	8,891,821	20,278	20,278	8,871,542
Construction in progress in trust	-	46,368	-	46,368	-	-	46,368
Total	¥ 177,087,786	¥ 93,942,530	¥ -	¥ 271,030,316	¥ 9,512,797	¥ 1,636,736	¥ 261,517,518

	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	\$ 834	\$ -	\$ -	\$ 834	\$ 96	\$ 5	\$ 738
Buildings and accompanying facilities	377	-	-	377	207	7	169
Structures	27	-	-	27	13	0	13
Land	6,917	-	-	6,917	-	-	6,917
Buildings in trust	640,193	349,387	-	989,580	53,827	9,997	935,753
Buildings and accompanying facilities in trust	149,300	76,072	-	225,373	34,911	5,700	190,461
Structures in trust	3,183	88	-	3,271	1,437	96	1,834
Tools, furniture and fixtures in trust	3,900	963	-	4,864	1,746	288	3,117
Land in trust	859,350	456,211	-	1,315,562	-	-	1,315,562
Leasehold rights in trust	56,717	29,686	-	86,403	197	197	86,206
Construction in progress in trust	-	450	-	450	-	-	450
Total	\$ 1,720,802	\$ 912,861	\$ -	\$ 2,633,663	\$ 92,438	\$ 16,293	\$ 2,541,225

Increases in the net book values are mainly due to the acquisition of 13 properties (¥90,804,000 thousand) as shown below and capitalized expenditures.

Property No.	Property name	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
A103	Royal Parks Momozaka	2,910,000	28,277
A104	Royal Parks Shinden	5,024,000	48,819
D38	Hotel Mystays Shinsaibashi	3,160,000	30,706
D39	Comfort Hotel Kurosaki	1,148,000	11,155
D40	Comfort Hotel Maebashi	1,128,000	10,961
D41	Comfort Hotel Tsubame-Sanjo	1,010,000	9,814
D42	Comfort Hotel Kitami	851,000	8,269
D43	Hotel Mystays Gotanda Station	24,674,000	239,762
D44	Hotel Epinard Nasu	20,981,000	203,877
D45	Hotel MyStays Fukuoka Tenjin	8,059,000	78,311
D46	Hotel MyStays Hamamatsucho	7,959,000	77,339
D47	Hotel MyStays Kanazawa	13,761,000	133,718
D48	Takamatsu Tokyu REI Hotel	2,139,000	20,785
	Total	92,804,000	901,797

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, 2015 and June 30, 2016.

Residential

	As of / For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 55,269,403	¥ 60,305,706	\$ 586,004
Net increase (decrease) during period	5,036,303	7,968,789	77,434
Balance at the end of period	60,305,706	68,274,496	663,438
Fair value	¥ 68,592,000	¥ 77,214,000	\$ 750,306

Office

	As of / For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 8,514,702	¥ 8,487,876	\$ 82,478
Net increase (decrease) during period	(26,826)	(17,489)	(169)
Balance at the end of period	8,487,876	8,470,387	82,308
Fair value	¥ 7,206,000	¥ 7,219,000	\$ 70,148

Retail facilities

	As of / For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 5,178,288	¥ 5,134,083	\$ 49,889
Net increase (decrease) during period	(44,205)	(46,557)	(452)
Balance at the end of period	5,134,083	5,087,525	49,436
Fair value	¥ 5,830,000	¥ 5,840,000	\$ 56,748

Parking lots

	As of / For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 100,822	¥ 100,821	\$ 979
Net increase (decrease) during period	(1)	(1)	0
Balance at the end of period	100,821	100,820	979
Fair value	¥ 112,000	¥ 113,000	\$ 1,098

Hotel

	As of / For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 58,211,612	¥ 95,223,054	\$ 925,304
Net increase (decrease) during period	37,011,441	84,314,865	819,306
Balance at the end of period	95,223,054	179,537,920	1,744,611
Fair value	¥ 133,212,000	¥ 232,905,000	\$ 2,263,191

Total

	As of / For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 127,274,829	¥ 169,251,542	\$ 1,644,655

Net increase (decrease) during period	41,976,712	92,219,607	896,119
Balance at the end of period	169,251,542	261,471,150	2,540,774
Fair value	¥ 214,952,000	¥ 323,291,000	\$ 3,141,492

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, 2015 and June 30, 2016, please refer to "Note 12: Rent Revenues—Real Estate and Expenses Related to Property Rental Business"

9. Loans Payable

The following table shows the details of loans payable for the six months ended June 30, 2016.

For the six months ended June 30, 2016

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	Sumitomo Mitsui Banking Corporation (3)	360,000	-	360,000	-	3,498	-	3,498	-	0.302	16-May-16	(2),(3)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (3)	360,000	-	360,000	-	3,498	-	3,498	-	0.302	16-May-16		
	Mizuho Bank, Ltd. (3)	360,000	-	360,000	-	3,498	-	3,498	-	0.302	16-May-16		
	Sumitomo Mitsui Trust Bank, Limited	-	498,000	-	498,000	-	4,839	-	4,839	0.276	22-Jan-17	(2)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	-	604,000	-	604,000	-	5,869	-	5,869	0.247	30-Mar-17	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	826,000	-	826,000	-	8,026	-	8,026	0.247	30-Mar-17		
	Sumitomo Mitsui Trust Bank, Limited	-	688,000	-	688,000	-	6,685	-	6,685	0.247	30-Mar-17		
	Citibank Japan Ltd.	-	882,000	-	882,000	-	8,570	-	8,570	0.252	15-Jun-17		
	Total short-term loans payable	1,080,000	3,498,000	1,080,000	3,498,000	10,494	33,990	10,494	33,990				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.375	16-Jul-18	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.375	16-Jul-18		

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	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.375	16-Jul-18	(2)	Unsecured and unguaranteed
	Shinsei Bank, Limited	3,330,000	-	-	3,330,000	32,358	-	-	32,358	0.375	16-Jul-18		
	Citibank Japan Ltd.	3,000,000	-	-	3,000,000	29,151	-	-	29,151	0.375	16-Jul-18		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	25,945	-	-	25,945	0.375	16-Jul-18		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,972	-	-	12,972	0.375	16-Jul-18		
	Mitsubishi UFJ Trust and Banking Corporation	668,000	-	-	668,000	6,491	-	-	6,491	0.375	16-Jul-18		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.480	16-Jul-19	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.480	16-Jul-19		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.480	16-Jul-19		
	Shinsei Bank, Limited	3,330,000	-	-	3,330,000	32,358	-	-	32,358	0.480	16-Jul-19		
	Citibank Japan Ltd.	3,000,000	-	-	3,000,000	29,151	-	-	29,151	0.480	16-Jul-19		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	25,945	-	-	25,945	0.480	16-Jul-19		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,972	-	-	12,972	0.480	16-Jul-19		
	Mitsubishi UFJ Trust and Banking Corporation	668,000	-	-	668,000	6,491	-	-	6,491	0.480	16-Jul-19		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.590	16-Jul-20	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.590	16-Jul-20		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	58,225	-	-	58,225	0.590	16-Jul-20		
	Shinsei Bank, Limited	3,330,000	-	-	3,330,000	32,358	-	-	32,358	0.590	16-Jul-20		
	Citibank Japan Ltd.	3,000,000	-	-	3,000,000	29,151	-	-	29,151	0.590	16-Jul-20		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	25,945	-	-	25,945	0.590	16-Jul-20		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,972	-	-	12,972	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	Mitsubishi UFJ Trust and Banking Corporation	668,000	-	-	668,000	6,491	-	-	6,491	0.590	16-Jul-20	(2)	Unsecured and unguaranteed		
	Mizuho Bank, Ltd.	3,682,000	-	-	3,682,000	35,778	-	-	35,778	0.480	28-Aug-19	(2)	Unsecured and unguaranteed		
	Sumitomo Mitsui Trust Bank, Limited	-	3,400,000	-	3,400,000	-	33,038	-	33,038	0.343	22-Jan-19	(2)	Unsecured and unguaranteed		
	Mitsubishi UFJ Trust and Banking Corporation	-	850,000	-	850,000	-	8,259	-	8,259	0.343	22-Jan-19				
	Sumitomo Mitsui Trust Bank, Limited	-	3,400,000	-	3,400,000	-	33,038	-	33,038	0.600	22-Jan-21				
	Mitsubishi UFJ Trust and Banking Corporation	-	850,000	-	850,000	-	8,259	-	8,259	0.600	22-Jan-21				
	Mizuho Bank, Ltd.	-	4,465,000	-	4,465,000	-	43,387	-	43,387	0.447	30-Mar-19			(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,125,000	-	1,125,000	-	10,931	-	10,931	0.447	30-Mar-19				
	Sumitomo Mitsui Trust Bank, Limited	-	2,181,000	-	2,181,000	-	21,193	-	21,193	0.447	30-Mar-19				
	Mitsubishi UFJ Trust and Banking Corporation	-	650,000	-	650,000	-	6,316	-	6,316	0.447	30-Mar-19				
	Shinsei Bank, Limited	-	570,000	-	570,000	-	5,538	-	5,538	0.447	30-Mar-19				
	Resona Bank, Limited	-	570,000	-	570,000	-	5,538	-	5,538	0.447	30-Mar-19				
	Development Bank of Japan	-	1,000,000	-	1,000,000	-	9,717	-	9,717	0.447	30-Mar-19				
	Fukuoka Bank Ltd	-	333,000	-	333,000	-	3,235	-	3,235	0.447	30-Mar-19				
	Shizuoka Bank Ltd	-	270,000	-	270,000	-	2,623	-	2,623	0.447	30-Mar-19				
	Nomura Bank Ltd	-	270,000	-	270,000	-	2,623	-	2,623	0.447	30-Mar-19				
	Mizuho Bank, Ltd.	-	4,465,000	-	4,465,000	-	43,387	-	43,387	0.547	30-Mar-20	(2)	Unsecured and unguaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,125,000	-	1,125,000	-	10,931	-	10,931	0.547	30-Mar-20				
	Sumitomo Mitsui Trust Bank, Limited	-	2,180,000	-	2,180,000	-	21,183	-	21,183	0.547	30-Mar-20				
	Mitsubishi UFJ Trust and Banking Corporation	-	650,000	-	650,000	-	6,316	-	6,316	0.547	30-Mar-20				

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	Shinsei Bank, Limited	-	570,000	-	570,000	-	5,538	-	5,538	0.547	30-Mar-20	(2)	Unsecured and unguaranteed
	Resona Bank, Limited	-	570,000	-	570,000	-	5,538	-	5,538	0.547	30-Mar-20		
	Fukuoka Bank Ltd	-	333,000	-	333,000	-	3,235	-	3,235	0.547	30-Mar-20		
	Shizuoka Bank Ltd	-	270,000	-	270,000	-	2,623	-	2,623	0.547	30-Mar-20		
	Nomura Bank Ltd	-	270,000	-	270,000	-	2,623	-	2,623	0.547	30-Mar-20		
	Mizuho Bank, Ltd.	-	4,465,000	-	4,465,000	-	43,387	-	43,387	0.647	30-Mar-21	(2)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,125,000	-	1,125,000	-	10,931	-	10,931	0.647	30-Mar-21		
	Sumitomo Mitsui Trust Bank, Limited	-	2,180,000	-	2,180,000	-	21,183	-	21,183	0.647	30-Mar-21		
	Mitsubishi UFJ Trust and Banking Corporation	-	650,000	-	650,000	-	6,316	-	6,316	0.647	30-Mar-21		
	Shinsei Bank, Limited	-	570,000	-	570,000	-	5,538	-	5,538	0.647	30-Mar-21		
	Resona Bank, Limited	-	570,000	-	570,000	-	5,538	-	5,538	0.647	30-Mar-21		
	Fukuoka Bank Ltd	-	333,000	-	333,000	-	3,235	-	3,235	0.647	30-Mar-21		
	Shizuoka Bank Ltd	-	270,000	-	270,000	-	2,623	-	2,623	0.647	30-Mar-21		
	Nomura Trust Bank Ltd	-	270,000	-	270,000	-	2,623	-	2,623	0.647	30-Mar-21		
	Citibank Japan Ltd.	-	1,000,000	-	1,000,000	-	9,717	-	9,717	0.452	15-Jun-19		
	Citibank Japan Ltd.	-	1,000,000	-	1,000,000	-	9,717	-	9,717	0.552	15-Jun-20		
	Citibank Japan Ltd.	-	1,000,000	-	1,000,000	-	9,717	-	9,717	0.652	15-Jun-21		
	Development Bank of Japan	-	1,000,000	-	1,000,000	-	9,717	-	9,717	0.434	30-Jun-19	(2)	Unsecured and unguaranteed
	Aeon Bank Ltd	-	3,000,000	-	3,000,000	-	29,151	-	29,151	0.634	30-Jun-21		
	Total long-term loans payable	90,619,000	47,800,000	-	138,419,000	880,565	464,483	-	1,345,049				
Total loans payable	91,699,000	51,298,000	1,080,000	141,917,000	891,060	498,474	10,494	1,379,039					

Notes:

- (1) The average interest rate indicates a weighted average interest rate for each six-month period, rounded to three decimal places.
- (2) The funds are mainly used to acquire real estate properties or properties in trust and for repayment of loans payable.
- (3) The part of principal (¥1,080 million) was repaid using the refund of consumption taxes on April 28, 2015.

(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, 2016	June 30, 2016
	(in thousands of yen)	(in thousands of U.S. dollars)
1-2 years	¥ -	\$ -
2-3 years	46,663,000	453,435
3-4 years	44,094,000	428,471
4-5 years	47,662,000	463,142

10. Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new investment units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50,000 thousand (US\$ 414 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of investment units authorized were 10,000,000 units as of December 31, 2015 and June 30, 2016.

The number of investment units issued and outstanding were 3,193,686 units as of December 31, 2015 and 3,675,824 June 30, 2016 respectively.

11. Appropriation of Retained Earnings

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

The following table shows the appropriation of retained earnings for the six months ended December 31, 2015 and June 30, 2016.

	For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 3,028,323	¥ 4,363,420	\$ 42,400
Reversal of reserve for temporary difference adjustment	-	(708)	(6)
Distributions in excess of retained earnings			
Allowance for temporary differences adjustment	-	(224,225)	(2,178)
Deduction from capital surplus	(763,290)	-	-
Distributions	(3,790,905)	(4,359,527)	(42,362)
Of which, distributions of earnings	(3,027,614)	(4,135,302)	(40,183)
Of which, allowance for adjustment of temporary differences	-	(224,225)	(2,178)
Of which, distributions in excess of net earnings	(763,290)	-	-
Voluntary reserve			
Reserve for temporary difference adjustment	708	-	-
Retained earnings carried forward.	¥ -	¥ 228,827	\$ 2,223

The distributions in respect of the six months ended June 30, 2016 of ¥1,186 (US\$11.5) per investment unit, amounting to a total dividend of ¥4,363,420 thousand (US\$42,400 thousand), including distributions in excess of retained earnings (return of capital), was proposed and approved at the Board of Directors meeting on August 23, 2016. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥1,187 and ¥1,186 (US\$11.5) for the six months ended December 31, 2015, and June 30, 2016, respectively.

12. 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, 2015 and June 30, 2016 consist of the following:

	For the six months ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges	¥ 6,652,619	¥ 7,889,877	\$ 76,667
Other	211,156	268,342	2,607
Total rental revenue – real estate	¥ 6,863,775	¥ 8,158,220	\$ 79,275
Expenses related to property rental business:			
Facility management fees	¥ 472,597	¥ 554,149	\$ 5,384
Property related taxes	250,268	281,065	2,731
Insurance expense	9,934	12,669	123
Depreciation	1,275,714	1,676,736	16,293
Other	169,651	173,364	1,684
Total expenses related to property rental business	¥ 2,178,165	¥ 2,697,986	\$ 26,216
Operating income from property leasing activities	¥ 4,685,610	¥ 5,460,234	\$ 53,058

13. Income Taxes

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

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

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

	For the six months ended	
	December 31, 2015	June 30, 2016
	(Rate)	
Statutory tax rates	32.31 %	32.31 %
Deductible cash distributions	(31.93)	(32.31)
Increase (decrease) in valuation allowance	(0.38)	(2.72)
Other	0.02	2.63
Effective tax rates	0.02 %	0.01 %

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

	As of		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Current:			
Enterprise tax payable	¥ 489	¥ 481	\$ 4
Rental receivables (merger)	186	183	1
Allowance for doubtful accounts	806	877	8
Total	1,482	1,542	14

Non-current:			
Buildings and other (merger)	735,158	711,143	6,910
Land (merger)	2,129,657	2,092,087	20,329
Deferred gains or losses on hedges	-	72,218	701
Net loss carried forward	7,329,595	7,200,289	69,966
Asset retirement obligations	-	9,855	95
Subtotal	<u>10,194,411</u>	<u>10,085,594</u>	<u>98,004</u>
Deferred tax liabilities:			
Non-current			
Asset retirement obligations	-	9,797	95
Subtotal	<u>-</u>	<u>9,797</u>	<u>95</u>
Valuation allowance	<u>(10,195,894)</u>	<u>(10,077,339)</u>	<u>(97,923)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

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

With the “Act to partially revise the income tax Act and others”(Act No. 15 of 2016) and “Act to partially revise the income tax Act and others”(Act No. 13 of 2016) promulgated on March 29, 2016, 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 April 1, 2016 was changed from 32.31% to 31.74%.

The effects of this change are immaterial for the Company.

14. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of December 30, 2015 and June 30, 2016 scheduled to be received are summarized as follows:

	As of		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 3,657,829	¥ 5,988,176	\$ 58,188
Due over one year	<u>31,055,536</u>	<u>50,718,568</u>	<u>492,843</u>
Total	<u>¥ 34,713,366</u>	<u>¥ 56,706,745</u>	<u>\$ 551,032</u>

(b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of December 31, 2015 and June 30, 2016 scheduled to be paid are summarized as follows:

	As of		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 112,249	¥ 244,619	\$ 2,377
Due over one year	<u>2,111,914</u>	<u>7,490,299</u>	<u>72,784</u>
Total	<u>¥ 2,224,164</u>	<u>¥ 7,734,918</u>	<u>\$ 75,161</u>

15. 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.

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, 2015 and June 30, 2016.

	As of									
	December 31, 2015			June 30, 2016			June 30, 2016			
	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	¥ 7,885,398	¥ 7,885,398	¥ —	¥ 11,322,762	¥ 11,322,762	¥ —	\$ 110,025	\$ 110,025	\$ —	
(2) Cash and bank deposits in trust	5,933,582	5,933,582	—	5,441,316	5,441,316	—	52,874	52,874	—	
Total assets	¥ 13,818,981	¥ 13,818,981	¥ —	¥ 16,764,078	¥ 16,764,078	¥ —	\$ 162,900	\$ 162,900	\$ —	
Liabilities:										
(3) Short-term loans payable	1,080,000	1,080,000	—	3,498,000	3,498,000	—	33,990	33,990	—	
(4) Account payable - other	—	—	—	8,957,286	8,957,286	—	87,040	87,040	—	
(5) Long-term loans payable	90,619,000	90,619,000	—	138,419,000	138,419,000	—	1,345,049	1,345,049	—	
Total liabilities	¥ 91,699,000	¥ 91,699,000	¥ —	¥ 150,874,286	¥ 150,874,286	¥ —	\$ 1,466,079	\$ 1,466,079	\$ —	

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 (4) Account payable - other

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

- (5) Long-term loans payable in trust

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, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits	¥ 28,663	¥ 28,663	\$ 278
Tenant leasehold and security deposits in trust	1,617,867	2,035,843	19,782

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

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
(in thousands of yen)						
As of December 31, 2015:						
Cash and bank deposits	¥ 7,885,398	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	5,933,582	-	-	-	-	-
Total	¥ 13,818,981	¥ -	¥ -	¥ -	¥ -	¥ -

As of June 30, 2016:						
Cash and bank deposits	¥ 11,322,762	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	5,441,316	-	-	-	-	-
Total	¥ 16,764,078	¥ -	¥ -	¥ -	¥ -	¥ -

	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, 2016:						
Cash and bank deposits	\$ 110,025	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	52,874	-	-	-	-	-
Total	\$ 162,900	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2015:						
Short-term loans payable	¥ 1,080,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	-	28,979,000	32,661,000	28,979,000	-
Total	¥ 1,080,000	¥ -	¥ 28,979,000	¥ 32,661,000	¥ 28,979,000	¥ -

As of June 30, 2016:						
Short-term loans payable	¥ 3,498,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	-	46,663,000	44,094,000	47,662,000	-
Total	¥ 3,498,000	¥ -	¥ 46,663,000	¥ 44,094,000	¥ 47,662,000	¥ -

	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, 2016:						
Short-term loans payable	\$ 33,990	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term loans payable	-	-	453,435	428,471	463,142	-
Total	\$ 33,990	\$ -	\$ 453,435	\$ 428,471	\$ 463,142	\$ -

16. Derivatives

Information on derivative transactions undertaken by the Company as of December 31, 2015 and June 30, 2016 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of December 31, 2015: Not applicable

As of June 30, 2016:

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount(*1)			Contract amount(*1)		
			Total	Over 1 year	Fair Value(*2)	Total	Over 1 year	Fair Value(*2)
			(in thousands of yen)			(in thousands of U.S. dollars)		
Principle accounting method	Interest rate swap transaction	Long-term borrowings	¥ 99,119,000	¥ 99,119,000	¥ (227,532)	\$ 963,161	\$ 963,161	\$ (2,210)
	floating rate receivable and Fixed rate payable							
	Total		¥ 99,119,000	¥ 99,119,000	¥ (227,532)	\$ 963,161	\$ 963,161	\$ (2,210)

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

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

17. 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, 2015 and June 30, 2016 are as follows.

	For the six month ended		
	December 31, 2015	June 30, 2016	June 30, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period	¥ -	¥ -	\$ -
Liabilities incurred due to the acquisition of properties	-	30,868	299
Accretion expense	-	182	1
Balance at the end of the period	¥ -	¥ 31,050	\$ 301

18. Segment Information

Segment information for the six months ended December 31, 2015 and June 30, 2016 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, 2015 and June 30, 2016 were as follows:

For the six months ended December 31, 2015

Name of client	Operating Revenues (in thousands of yen)	Related segment
Mystays Hotel Management Co.,Ltd.	¥3,125,985	Real estate investing business

For the six months ended June 30, 2016

Name of client	Operating Revenues (in thousands of yen)	Operating Revenues (in thousands of U.S. dollars)	Related segment
Mystays Hotel Management Co.,Ltd.	¥3,389,166	\$32,933	Real estate investing business

19. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

For the six months ended December 31, 2015

Type of related-party	Company name	Location	Business	Share capital	Voting interest in the Company	Relationship with the Company	Transactions for the period		Balance at the end of period	
				(in millions of yen)			Type of transactions	Amounts(1)	Balance sheet account	Amounts(1)
								(in thousands of yen)		(in thousands of yen)
Interest party of the Asset Manager	Skye TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 7,801,000	-	-
	Nishi TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 14,405,000	-	-
	Rannoch TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 5,707,000	-	-
	Wakusei TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 2,198,000	-	-
	Suisei TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 2,603,000	-	-
	Aki TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 1,277,000	-	-
	Zephyrus TMK(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 1,237,000	-	-
	GK Valletta(3)	Miyato-ku Tokyo	Investment management business	Y 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	Y 5,099,000	-	-
	Mystays Hotel Management, Co.Ltd(3)	Miyato-ku Tokyo	Hotel management business	Y 100	-	Lease holder and operator of hotel	Rental Revenues.	Y 3,125,985	Rental receivables	Y 920,391

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, Skye TMK, Nishi TMK, Rannoch TMK, Wakusei TMK, Suisei TMK, Aki TMK, Zephyrus TMK, GK Valletta and Mystays Hotel Management, Co. Ltd has no relationship to be stated, but they receive investment through funds that are managed by FIG, an affiliate of Calliope. Accordingly, we treat Skye TMK, Nishi TMK, Rannoch TMK, Wakusei TMK, Suisei TMK, Aki TMK, Zephyrus TMK, GK Valletta and Mystays Hotel Management, Co. Ltd as a related party.
- Calliope holds 609,942 units (holding ratio: 19.09%) of the issued investment units of the Company.
- The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
A100	City Court Kitaichijo	GK Valletta	1,782,000	14,774
A101	Lieto Court Mukojima	GK Valletta	1,683,000	13,954
A102	Lieto Court Nishi-Ojima	GK Valletta	1,634,000	13,547
D24	Hotel MyStays Haneida	Skye TMK	7,801,000	64,679
D25	Hotel MyStays Kameido P1	Nishi TMK	5,594,000	46,380

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
D26	Hotel MyStays Ueno Iriyaguchi	Rannoch TMK	3,821,000	31,680
D27	Hotel MyStays Kameido P2	Nishi TMK	3,742,000	31,025
D28	Hotel Vista Shimizu	Wakusei TMK	2,198,000	18,224
D29	Super Hotel Shinbashi/Karasumoriguchi	Suisei TMK	1,624,000	13,464
D30	Flexstay Inn Higashi-Jujo	Aki TMK	1,277,000	10,587
D31	Hotel MyStays Utsunomiya	Zephyrus TMK	1,237,000	10,256
D32	Flexstay Inn Kawasaki-Kaizuka	Rannoch TMK	980,000	8,125
D33	Comfort Hotel Toyama	Suisei TMK	979,000	8,117
D34	Flexstay Inn Kawasaki-Ogawacho	Rannoch TMK	906,000	7,511
D35	Flexstay Inn Ekoda	Nishi TMK	5,069,000	42,028
Total			40,327,000	334,358

For the six months ended June 30, 2016

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)
Interest party of the Asset Manager	Ali 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)	¥ 3,160,000	\$ 30,706	-	-	-
	Naxaro 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)	¥ 20,155,000	\$ 195,850	-	-	-
	Momo TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 7,934,000	\$ 77,096	-	-	-
	Tsuki 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)	¥ 24,674,000	\$ 239,762	-	-	-
	Septentrio 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)	¥ 12,588,600	\$ 122,326	-	-	-
	Septentrio 2 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)	¥ 4,196,199	\$ 40,775	-	-	-
	Septentrio 3 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)	¥ 4,196,199	\$ 40,775	-	-	-
	Ginga 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)	¥ 13,761,000	\$ 133,718	Account payable	¥8,800,548	\$85,516
	Wakusei TMK(3)	Minato-ku Tokyo	investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2/5)	¥ 2,139,000	\$ 20,785	-	-	-
	Napan Hotel & Resorts Management Co., Ltd.	Minato-ku Tokyo	Hotel management business	¥ 10	\$ 0	-	Lesse holder and operator of hotel	Rental Revenues.	¥ 627,563	\$ 6,098	Rental receivables	¥220,811	\$2,145
	Mystays Hotel Management, Co.,Ltd(3)	Minato-ku Tokyo	Hotel management business	¥ 100	\$ 0	-	Lesse holder and operator of hotel	Rental Revenues.	¥ 3,389,166	\$ 32,933	Rental receivables	¥ 990,543	\$ 9,625

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, Aki TMK, Navaro TMK, Momo TMK, Tsuki TMK, Septentrio TMK, Septentrio 2 TMK, Septentrio 3 TMK, Ginga TMK, Wakusei TMK, Naqua Hotel & Resorts Management Co., Ltd 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 Aki TMK, Navaro TMK, Momo TMK, Tsuki TMK, Septentrio TMK, Septentrio 2 TMK, Septentrio 3 TMK, Ginga TMK, Wakusei TMK, Naqua Hotel & Resorts Management Co., Ltd and Mystays Hotel Management, Co. Ltd as a related party.
- (4) Calliope holds 609,942 units (holding ratio: 16.6%) of the issued investment units of the Company.
- (5) The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
A103	Royal Parks Momozaka	Momo TMK	2,910,000	28,277
A104	Royal Parks Shinden	Momo TMK	5,024,000	48,819
D38	Hotel Mystays Shinsaibashi	Aki TMK	3,160,000	30,706
D39	Comfort Hotel Kurosaki	Navaro TMK	1,148,000	11,155
D40	Comfort Hotel Maebashi	Navaro TMK	1,128,000	10,961
D41	Comfort Hotel Tsubame-Sanjo	Navaro TMK	1,010,000	9,814
D42	Comfort Hotel Kitami	Navaro TMK	851,000	8,269
D43	Hotel Mystays Gotanda Station	Tsuki TMK	24,674,000	239,762
D44	Hotel Epinard Nasu	Septentrio TMK Septentrio 2 TMK Septentrio 3 TMK	20,981,000	203,877
D45	Hotel MyStays Fukuoka Tenjin	Navaro TMK	8,059,000	78,311
D46	Hotel MyStays Hamamatsucho	Navaro TMK	7,959,000	77,339
D47	Hotel MyStays Kanazawa	Ginga TMK	13,761,000	133,718
D48	Takamatsu Tokyu REI Hotel	Wakusei TMK	2,139,000	20,785
Total			92,804,000	901,797

(b) Board of Directors and Major Individual Unitholders

For the six months ended December 31, 2015

Type of related-party	Name	Business/Occupation	Voting interest in the Company	Transactions for the period		Balance at the end of period	
				Type of transactions	Amounts (3)	Balance sheet account	Amounts (3)
					(in thousands of yen)		(in thousands of yen)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	—	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 180,000	Accrued expenses	¥ 97,200
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 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, 2016

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)	¥ 250,000	\$ 2,429	Accrued expenses	¥ 135,000	\$ 1,311
				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.

20. Per Unit Information

The following table shows net asset value per unit as of December 31, 2015 and June 30, 2016, 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, 2015	June 30, 2016	June 30, 2016
	(Yen)		(U.S. dollars)
Net asset value per unit	¥ 28,731	¥ 35,368	\$ 343
Net income per unit	937	1,270	12
Weighted average number of units	3,149,936	3,436,572	—

21. Subsequent events

(a) New borrowings

The Company borrowed a portion of the consideration on July 20, 2016 for the acquisition of 2 hotel properties acquired on June 15, 2016.

Term Loan (E)

- (a)Lender : The Tokyo Star Bank, Limited
- (b)Borrowing amount : JPY4,000 million
- (c)Interest rate : One-month JPY TIBOR + spread (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 29, 2016
- (e)Method of principal repayment : To be repaid in full on the principal maturity date
- (f)Borrowing method : No secured / with no guarantee
- (g)Borrowing date : July 20, 2016
- (h)Principal maturity date : July 20, 2019, July 20, 2020, July 20, 2021