

Invincible Investment
Corporation

**Audited Financial Statements
for the 27th Fiscal Period
(from July 1, 2016 to December 31, 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 unitholders of Invincible Investment Corporation (“INV”) for your continued support.

We hereby provide you with a report on INV’s asset management and financial results for the 27th fiscal period (covering the period from July 1, 2016 to December 31, 2016; the “Reporting Period”).

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

In the hotel sector, the number of inbound visitors reached a record high of 24.03 million in 2016, an increase of 22% from the previous year and 79% higher than two years ago. The significant increase in inbound numbers can be attributed to improvements in airports/travel infrastructure, the launch and expansion of low-cost carriers (LCCs), the Japanese government’s further promotion of tourism-oriented initiatives such as the relaxation of visa requirements as well as a sharp increase in the number of cross-border travelers due to the rise of the middle-income class in Asia.

During the Reporting Period, INV’s hotel portfolio showed a slight decrease in revenues per available room (RevPAR) of 0.8% year-on-year. This was mainly due to unfavorable impact from the day configuration of the Silver Week holidays in September, poor weather including more typhoon landings, the increase in new hotel supply and a rapid increase of the number of hotel rooms listed by online travel agents. However, RevPAR for full year of 2016 increased by 3.3% over the previous year and gross operating profit (GOP) for full year of 2016 also increased by 3.8% over the previous year⁽¹⁾.

The residential properties continue to benefit from ongoing efforts to increase rents upon new/renewal lease contracts and from selective reductions of leasing cost expenditures. As a result, net operating income (NOI) for existing assets increased by 3.8% year-on-year for the Reporting Period and increased by 4.4% for the full year of 2016 over the previous year⁽²⁾.

As a result, operating revenues reached JPY 9,511 million, ordinary income JPY 5,431 million and net income JPY 5,431 million, with a distribution per unit (DPU) of JPY 1,477, an increase of 24.4% year-on-year.⁽³⁾ With this, the annual DPU came to JPY 2,663, a significant increase of 30.1% above the previous year.

Further, INV conducted a public offering in March 2017 to acquire two high quality residential assets, including Royal Parks Tower Minami-Senju, which will serve as the flagship residential asset.

INV renewed the Memorandum of Understanding (MOU) with affiliates of its sponsor, Fortress Group, on December 22, 2016 concerning preferential negotiation rights for property acquisitions. The MOU provides a robust pipeline of assets that INV can potentially acquire, consisting of 22 hotels with 6,616 rooms (INV currently owns 48 hotels with 7,027 rooms) and nine residential properties with 743 units (INV currently owns 70 residential properties with 4,778 units). Going forward, INV plans to expand its portfolio via acquisitions from the abundant pipeline.

Moreover, with respect to INV’s internal growth, we will implement various measures to maximize hotel revenue through close collaboration with each of the hotel operators. As for the residential portfolio, we reduced the number of master lessees and property managers from 19 companies to 10 companies (in December 2016 and January 2017) in an effort to improve NOI, favoring companies with stronger performance in achieving rent increases.

Concerning financial operations, INV obtained an initial credit rating of ‘A’ with a ‘Positive’ outlook from Japan Credit Rating Agency, Ltd. (JCR) on September 27, 2016. INV aims to further strengthen its lender

formation as well as diversify financing methods including the issuance of investment corporation bonds and lengthening of borrowing duration in the future. We also believe the obtainment of the credit rating will contribute to the broadening of our investor base.

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

Your continued support is highly appreciated.



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

- (1) Based on 36 hotel properties; of the 48 hotel properties in our portfolio as of December 31, 2016, 9 hotels with fixed rent lease agreements as well as 3 hotels (Hotel MyStays Shinsaibashi, Hotel MyStays Gotanda Station and Hotel MyStays Kanda), which were renovated during the period from January 2015 to December 2016, are excluded
- (2) Based on the 63 residential properties owned as of the end of December, 2014
- (3) Comparison with the fiscal period ended December 2015. In order to eliminate seasonal factors of hotel variable rents, which is one of the major revenues of INV, in the comparison, the comparison is made with the same period in the previous year and not with the previous fiscal period (ended June 2016)

Distribution per unit for the 27th fiscal period
(the fiscal period ended December 2016)

JPY 1,477

- (Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of March 14, 2017. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV’s control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly

Independent Auditor's Report

The Board of Directors
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at December 31, 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 December 31, 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 3.

Ernst & Young Shinnihon LLC

March 23, 2017
Tokyo, Japan

INVINCIBLE INVESTMENT CORPORATION

BALANCE SHEET
As of December 31, 2016

	As of		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
ASSETS			
Current assets:			
Cash and bank deposits (Notes 6 and 15)	¥ 11,322,762	¥ 8,714,907	\$ 74,812
Cash and bank deposits in trust (Notes 6 and 15)	5,441,316	5,499,826	47,212
Accounts receivable	201	19	0
Rental receivables	1,375,846	1,398,433	12,004
Prepaid expenses	394,524	387,328	3,324
Consumption taxes receivable	2,672,787	-	-
Other	35	32	0
Allowance for doubtful accounts	(2,764)	(1,334)	(11)
Total current assets	21,204,709	15,999,214	137,344
Non-current assets:			
Property and equipment (Notes 7 and 8):			
Buildings, at cost	85,914	85,914	737
Buildings and accompanying facilities, at cost	38,862	38,862	333
Structures, at cost	2,779	2,779	23
Land	711,834	711,834	6,110
Buildings in trust, at cost	101,837,752	102,029,376	875,863
Buildings and accompanying facilities in trust, at cost	23,193,164	23,379,828	200,702
Structures in trust, at cost	336,691	340,005	2,918
Tools, furniture and fixtures in trust, at cost	500,608	651,007	5,588
Land in trust	135,384,518	135,384,518	1,162,198
Construction in progress in trust	46,368	-	-
Subtotal	262,138,495	262,624,127	2,254,477
Less: Accumulated depreciation	(9,492,518)	(11,526,460)	(98,948)
Total property and equipment, net	252,645,976	251,097,667	2,155,529
Intangible assets:			
Leasehold rights in trust	8,871,542	8,840,627	75,891
Total intangible assets	8,871,542	8,840,627	75,891
Investments and other assets:			
Guarantee deposits	613,914	613,914	5,270
Long-term prepaid expenses	729,351	616,340	5,290
Derivatives assets (Note 16)	-	151,259	1,298
Other	40,640	42,851	367
Total investments and other assets	1,383,905	1,424,366	12,227
Total non-current assets	262,901,424	261,362,660	2,243,648
TOTAL ASSETS	¥ 284,106,133	¥ 277,361,874	\$ 2,380,993

	As of		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
LIABILITIES			
Current liabilities:			
Accounts payable	¥ 188,362	¥ 182,601	\$ 1,567
Short-term loans payable (Notes 9 and 15)	3,498,000	-	-
Accounts payable-other	8,957,286	51,825	444
Accrued expenses	186,571	166,066	1,425
Income taxes payable	605	605	5
Consumption taxes payable	-	460,521	3,953
Advances received	507,135	522,072	4,481
Deposits received	21,072	13,583	116
Total current liabilities	13,359,034	1,397,276	11,994
Non-current liabilities:			
Long-term loans payable (Notes 9 and 15)	138,419,000	142,419,000	1,222,585
Tenant leasehold and security deposits in trust (Note 15)	2,035,843	2,030,396	17,429
Tenant leasehold and security deposits (Note 15) ..	28,663	28,663	246
Derivatives liabilities(Note 16)	227,532	-	-
Asset retirement obligations(Note 17)	31,050	31,260	268
Total non-current liabilities	140,742,089	144,509,319	1,240,529
TOTAL LIABILITIES	154,101,123	145,906,596	1,252,524
NET ASSETS (Note 10)			
Unitholders' equity:			
Unitholders' capital	120,367,271	120,367,271	1,033,284
Surplus:			
Capital surplus	6,264,432	6,264,432	53,776
Allowance for temporary differences adjustment(Note 5)	-	(224,225)	(1,924)
Other deduction of capital surplus	(763,290)	(763,290)	(6,552)
Capital surplus (net)	5,501,141	5,276,915	45,299
Voluntary reserve			
Reserve for temporary differences adjustment(Note 4)	708	-	-
Voluntary reserve	708	-	-
Retained earnings	4,363,420	5,659,831	48,586
Total surplus	9,865,270	10,936,747	93,885
Total unitholders' equity	130,232,542	131,304,019	1,127,169
Valuation and translation adjustments:			
Deferred gains or losses on hedges	(227,532)	151,259	1,298
Total valuation and translation adjustments	(227,532)	151,259	1,298
TOTAL NET ASSETS	130,005,009	131,455,278	1,128,468
TOTAL LIABILITIES AND NET ASSETS	¥ 284,106,133	¥ 277,361,874	\$ 2,380,993

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

INVINCIBLE INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the six months ended December 31, 2016

	For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Operating revenue			
Rental revenue—real estate (Note 12)	¥ 8,158,220	¥ 9,511,466	\$ 81,650
Total operating revenue	<u>8,158,220</u>	<u>9,511,466</u>	<u>81,650</u>
Operating expenses			
Property related expenses (Note 12)	2,697,986	3,162,067	27,144
Asset management fees	250,000	250,000	2,146
Directors' compensation	4,800	4,800	41
Asset custody fees	9,128	14,026	120
Administrative service fees	24,010	27,890	239
Provision of allowance for doubtful accounts	269	1,123	9
Other	98,120	117,347	1,007
Total operating expenses	<u>3,084,315</u>	<u>3,577,255</u>	<u>30,708</u>
Operating income	<u>5,073,905</u>	<u>5,934,211</u>	<u>50,941</u>
Non-operating income			
Interest income	1,316	129	1
Interest on tax refund	1,372	6,722	57
Refund of consumption taxes	-	35,949	308
Other	213	385	3
Total non-operating income	<u>2,902</u>	<u>43,186</u>	<u>370</u>
Non-operating expenses			
Interest expenses	295,185	359,540	3,086
Loan-related costs	280,326	186,249	1,598
Investment unit issuance costs	137,270	-	-
Total non-operating expenses	<u>712,782</u>	<u>545,789</u>	<u>4,685</u>
Ordinary income	<u>4,364,025</u>	<u>5,431,608</u>	<u>46,627</u>
Income before income taxes	<u>4,364,025</u>	<u>5,431,608</u>	<u>46,627</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>4,363,420</u>	<u>5,431,003</u>	<u>46,622</u>
Retained earnings brought forward	-	228,827	1,964
Unappropriated retained earnings (Note 10)	<u>¥ 4,363,420</u>	<u>¥ 5,659,831</u>	<u>\$ 48,586</u>

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended December 31, 2016

Unitholders' capital	Unitholders' equity							
	Surplus							
	Capital surplus					Voluntary reserve		
	Capital surplus	Deduction of capital surplus			Capital surplus (net)	Reserve for temporary differences adjustment	Voluntary reserve	
		Allowance for temporary differences adjustment	Other deduction of capital surplus	Deduction of capital surplus				
(in thousands of yen)								
Balance as of January 1, 2016	¥ 82,465,438	¥ 6,264,432	¥ -	¥ -	¥ -	¥ 6,264,432	¥ -	¥ -
Changes during the period								
Issuance of new investment units	37,901,832							
Other distributions in excess of retained earnings			(763,290)	(763,290)	(763,290)			
Reserve for temporary differences adjustment							708	708
Distributions from surplus								
Net income								
Changes other than unitholders' equity (net)								
Total changes during the period	37,901,832	-	-	(763,290)	(763,290)	(763,290)	708	708
Balance as of July 1, 2016	¥ 120,367,271	¥ 6,264,432	¥ -	¥ (763,290)	¥ (763,290)	¥ 5,501,141	¥ 708	¥ 708
Changes during the period								
Reversal of reserve for temporary differences adjustment							(708)	(708)
Distributions from surplus								
Distributions in excess of retained earnings from allowance for temporary differences adjustment			(224,225)		(224,225)	(224,225)		
Net income								
Changes other than unitholders' equity (net)								
Total changes during the period	-	-	(224,225)	-	(224,225)	(224,225)	(708)	(708)
Balance as of December 31, 2016	¥ 120,367,271	¥ 6,264,432	¥ (224,225)	¥ (763,290)	¥ (987,516)	¥ 5,276,915	¥ -	¥ -

Unitholders' capital	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 January 1, 2016	¥ 3,028,323	¥ 9,292,755	¥ 91,758,194	¥ -	¥ -	¥ 91,758,197
Changes during the period						
Issuance of new investment units			37,901,832			37,901,832
Other distributions in excess of retained earnings		(763,290)	(763,290)			(763,290)
Reserve for temporary differences adjustment	(708)	-	-			-
Distributions 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
Changes other than unitholders' equity (net)	-	-	-	(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 July 1, 2016	¥ 4,363,420	¥ 9,865,270	¥ 130,232,542	¥ (227,532)	¥ (227,532)	¥ 130,005,009
Changes during the period						
Reversal of reserve for temporary differences adjustment	708	-	-			-
Distributions from surplus	(4,135,302)	(4,135,302)	(4,135,302)			(4,135,302)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(224,225)	(224,225)			(224,225)
Net income	5,431,003	5,431,003	5,431,003			5,431,003
Changes other than unitholders' equity (net)				378,792	378,792	378,792
Total changes during the period	1,296,410	1,071,476	1,071,476	378,792	378,792	1,450,268
Balance as of December 31, 2016	¥ 5,659,831	¥ 10,936,747	¥ 131,304,019	¥ 151,259	¥ 151,259	¥ 131,455,278

	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
Allowance for temporary differences adjustment	Other deduction of capital surplus		Deduction of capital surplus					
(in thousands of U.S dollars)								
Balance as of July 1, 2016	\$ 1,033,284	\$ 53,776	\$ -	\$ (6,552)	\$ (6,552)	\$ 47,224	\$ 6	\$ 6
Changes during the period								
Reversal of reserve for temporary differences adjustment							(6)	(6)
Distributions from surplus								
Distributions in excess of retained earnings from allowance for temporary differences adjustment			(1,924)		(1,924)	(1,924)		
Net income								
Changes other than unitholders' equity (net)								
Total changes during the period	-	-	(1,924)	-	(1,924)	(1,924)	(6)	(6)
Balance as of December 31, 2016	\$ 1,033,284	\$ 53,776	\$ (1,924)	\$ (6,552)	\$ (8,477)	\$ 45,299	\$ -	\$ -

	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 July 1, 2016	\$ 37,457	\$ 84,687	\$ 1,117,971	\$ (1,953)	\$ (1,953)	\$ 1,116,018
Changes during the period						
Reversal of reserve for temporary differences adjustment	6	-	-			-
Distributions from surplus	(35,499)	(35,499)	(35,499)			(35,499)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(1,924)	(1,924)			(1,924)
Net income	46,622	46,622	46,622			46,622
Changes other than unitholders' equity (net)				3,251	3,251	3,251
Total changes during the period	11,128	9,198	9,198	3,251	3,251	12,449
Balance as of December 31, 2016	\$ 48,586	\$ 93,885	\$ 1,127,169	\$ 1,298	\$ 1,298	\$ 1,128,468

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

INVINCIBLE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

For the six months ended December 31, 2016

	For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash flows from operating activities:			
Income before income taxes	¥ 4,364,025	¥ 5,431,608	\$ 46,627
Depreciation and amortization	1,676,751	2,065,066	17,727
Investment unit issuance costs	137,270	-	-
Loan-related costs	280,326	186,249	1,598
Interest income	(1,316)	(129)	(1)
Interest expenses	295,185	359,540	3,086
Changes in assets and liabilities			
Increase (decrease) in allowance for doubtful accounts	269	(1,430)	(12)
Decrease (increase) in rental receivables	(306,493)	(22,587)	(193)
Decrease (increase) in consumption taxes receivable	(1,744,762)	2,672,787	22,944
Increase (decrease) in accounts payable	7,056	(66,883)	(574)
Increase (decrease) in consumption taxes payable	-	460,521	3,953
Increase (decrease) in accounts payable-other	884,265	(881,047)	(7,563)
Increase (decrease) in accrued expenses	38,577	(5,946)	(51)
Increase (decrease) in advances received	33,971	14,936	128
Increase (decrease) in deposits received	(14,615)	(23,418)	(201)
Other, net	(34,907)	(12,451)	(106)
Subtotal	5,615,604	10,176,817	87,362
Interest income received	1,316	129	1
Interest expenses paid	(297,081)	(358,219)	(3,075)
Income taxes paid	(564)	(605)	(5)
Net cash provided by operating activities	5,319,276	9,818,122	84,282
Cash flows from investing activities:			
Purchases of property and equipment in trust	(82,786,898)	(8,449,701)	(72,535)
Purchases of leasehold rights in trust	(3,055,031)	-	-
Repayments of tenant leasehold and security deposits in trust	(56,280)	(53,815)	(461)
Proceeds from tenant leasehold and security deposits in trust	474,368	48,371	415
Payments of tenant leasehold and security deposits	(574,396)	-	-
Other, net	(2,211)	(2,211)	(18)
Net cash used in investing activities	(86,000,448)	(8,457,356)	(72,601)
Cash flows from financing activities:			
Proceeds from short-term loans payable	3,498,000	-	-
Repayments of short-term loans payable	(1,080,000)	(3,498,000)	(30,028)
Proceeds from long-term loans payable	47,800,000	4,000,000	34,337
Payments for loan-related costs	(594,356)	(53,775)	(461)
Payments of distributions of earnings	(3,014,523)	(4,118,229)	(35,352)
Payments of distributions in excess of retained earnings from allowance for temporary differences adjustment	-	(224,225)	(1,924)
Payments of other distributions in excess of retained earnings	(763,290)	-	-
Proceeds from issuance of investment units	37,780,441	-	-
Other, net	-	(15,879)	(136)
Net cash provided by (used in) financing activities	83,626,270	(3,910,109)	(33,566)
Net increase (decrease) in cash and cash equivalents	2,945,097	(2,549,344)	(21,884)
Cash and cash equivalents at beginning of period	13,818,981	16,764,078	143,910
Cash and cash equivalents at end of period (Note 6)	¥ 16,764,078	¥ 14,214,734	\$ 122,025

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

INVINCIBLE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of and for the six months ended December 31, 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.

On February 22, 2017, the Company completed its seventh public offering totaling 185,000 new investment units at a price ¥46,897 per unit in connection with Japanese Primary Offering.

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>December 31, 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.

No taxes on property and equipment were capitalized for the six months ended December 31, 2016.

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 ¥116.49 = US\$1, the effective rate of exchange prevailing at December 31, 2016. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended December 31, 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.

4. Reserve for temporary differences adjustment

JPY 708 thousand reserve for temporary differences adjustment is distributed in current fiscal period.

5. Allowance for temporary differences adjustment

For the six months ended June 30, 2016

Not Applicable.

For the six months ended December 31, 2016

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

1. Reason, related assets and amounts

(in thousands of yen)

Related assets, etc.	Reason	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Deferred gains or losses on hedges	Loss on interest rate swaps recognized at the end of the fiscal period	¥ (224,225)	-	¥ (224,225)	-	¥ (224,225)	-
Total		¥ (224,225)	-	¥ (224,225)	-	¥ (224,225)	-

(in thousands of U.S dollars)

Related assets, etc.	Reason	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Deferred gains or losses on hedges	Loss on interest rate swaps recognized at the end of the fiscal period	\$ (1,924)	-	\$ (1,924)	-	\$ (1,924)	-
Total		\$ (1,924)	-	\$ (1,924)	-	\$ (1,924)	-

2. Method of reversal

(1) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

6. Cash and Cash Equivalents

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

	As of		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits	¥ 11,322,762	¥ 8,714,907	\$ 74,812
Cash and bank deposits in trust	5,441,316	5,499,826	47,212
Cash and cash equivalents	¥ 16,764,078	¥ 14,214,734	\$ 122,025

7. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended December 31, 2016.

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
(in thousands of yen)							
Buildings	¥ 85,914	¥ -	¥ -	¥ 85,914	¥ 10,489	¥ 541	¥ 75,424
Buildings and accompanying facilities	38,862	-	-	38,862	22,150	774	16,712
Structures	2,779	-	-	2,779	1,467	65	1,311
Land	711,834	-	-	711,834	-	-	711,834
Buildings in trust	101,837,752	191,623	-	102,029,376	6,800,686	1,261,513	95,228,689
Buildings and accompanying facilities in trust	23,193,164	186,825	162	23,379,828	4,312,055	719,333	19,067,773
Structures in trust	336,691	3,314	-	340,005	158,426	10,476	181,579
Tools, furniture and fixtures in trust	500,608	150,399	-	651,007	221,184	41,445	429,823
Land in trust	135,384,518	-	-	135,384,518	-	-	135,384,518
Leasehold rights in trust	8,891,821	-	-	8,891,821	51,193	30,914	8,840,627
Construction in progress in trust	46,368	-	46,368	-	-	-	-
Total	¥ 271,030,316	¥ 532,163	¥ 46,530	¥ 271,515,949	¥ 11,577,654	¥ 2,065,066	¥ 259,938,294

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
(in thousands of U.S dollars)							
Buildings	\$ 737	\$ -	\$ -	\$ 737	\$ 90	\$ 4	\$ 647
Buildings and accompanying facilities	333	-	-	333	190	6	143
Structures	23	-	-	23	12	0	11
Land	6,110	-	-	6,110	-	-	6,110
Buildings in trust	874,218	1,644	-	875,863	58,380	10,829	817,483
Buildings and accompanying facilities in trust	199,100	1,603	1	200,702	37,016	6,175	163,685
Structures in trust	2,890	28	-	2,918	1,359	89	1,558
Tools, furniture and fixtures in trust	4,297	1,291	-	5,588	1,898	355	3,689
Land in trust	1,162,198	-	-	1,162,198	-	-	1,162,198
Leasehold rights in trust	76,331	-	-	76,331	439	265	75,891
Construction in progress in trust	398	-	398	-	-	-	-
Total	\$ 2,326,640	\$ 4,568	\$ 399	\$ 2,330,809	\$ 99,387	\$ 17,727	\$ 2,231,421

Increases in the net book values are mainly due to capitalized expenditures.

8. Fair Value of Investment and Rental Properties

The following tables show the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended June 30, 2016 and December 31, 2016.

Residential

	As of / For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 60,305,706	¥ 68,274,496	\$ 586,097
Net increase (decrease) during period	7,968,789	(438,657)	(3,765)
Balance at the end of period	68,274,496	67,835,839	582,331
Fair value	¥ 77,214,000	¥ 77,843,000	\$ 668,237

Office

	As of / For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 8,487,876	¥ 8,470,387	\$ 72,713
Net increase (decrease) during period	(17,489)	(29,405)	(252)
Balance at the end of period	8,470,387	8,440,981	72,460
Fair value	¥ 7,219,000	¥ 7,406,000	\$ 63,576

Retail facilities

	As of / For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 5,134,083	¥ 5,087,525	\$ 43,673
Net increase (decrease) during period	(46,557)	(38,298)	(328)
Balance at the end of period	5,087,525	5,049,226	43,344
Fair value	¥ 5,840,000	¥ 5,890,000	\$ 50,562

Parking lots

	As of / For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 100,821	¥ 100,820	\$ 865
Net increase (decrease) during period	(1)	(1)	0
Balance at the end of period	100,820	100,819	865
Fair value	¥ 113,000	¥ 113,000	\$ 970

Hotel

	As of / For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 95,223,054	¥ 179,537,920	\$ 1,541,230
Net increase (decrease) during period	84,314,865	(1,026,493)	(8,811)
Balance at the end of period	179,537,920	178,511,427	1,532,418
Fair value	¥ 232,905,000	¥ 236,940,000	\$ 2,033,994

Total

	As of / For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 169,251,542	¥ 261,471,150	\$ 2,244,580
Net increase (decrease) during period	92,219,607	(1,532,855)	(13,158)
Balance at the end of period	261,471,150	259,938,294	2,231,421
Fair value	¥ 323,291,000	¥ 328,192,000	\$ 2,817,340

Notes:

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

For rental revenues and expenses for the six months ended June 30, 2016 and December 31, 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 December 31, 2016.

For the six months ended December 31, 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 Trust Bank, Limited	¥498,000	¥-	¥498,000	¥-	\$4,275	\$-	\$4,275	\$-	0.237	22-Jan-17	(2),(3)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	604,000	-	604,000	-	5,184	-	5,184	-	0.237	30-Mar-17		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	826,000	-	826,000	-	7,090	-	7,090	-	0.237	30-Mar-17		
	Sumitomo Mitsui Trust Bank, Limited	688,000	-	688,000	-	5,906	-	5,906	-	0.237	30-Mar-17		
	Citibank Japan Ltd.	882,000	-	882,000	-	7,571	-	7,571	-	0.237	15-Jun-17		
	Total short-term loans payable	3,498,000	-	3,498,000	-	30,028	-	30,028	-				

	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.375	16-Jul-18		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.375	16-Jul-18		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.375	16-Jul-18		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	28,586	-	-	28,586	0.375	16-Jul-18		
	Citibank Japan Ltd.	3,000,000	-	-	3,000,000	25,753	-	-	25,753	0.375	16-Jul-18		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	22,920	-	-	22,920	0.375	16-Jul-18		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	11,460	-	-	11,460	0.375	16-Jul-18		
	Mitsubishi UFJ Trust and Banking Corporation	668,000	-	-	668,000	5,734	-	-	5,734	0.375	16-Jul-18		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.480	16-Jul-19		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.480	16-Jul-19		
Long-term loans payable	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.480	16-Jul-19	(2)	Unsecured and unguaranteed
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	28,586	-	-	28,586	0.480	16-Jul-19		
	Citibank Japan Ltd.	3,000,000	-	-	3,000,000	25,753	-	-	25,753	0.480	16-Jul-19		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	22,920	-	-	22,920	0.480	16-Jul-19		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	11,460	-	-	11,460	0.480	16-Jul-19		
	Mitsubishi UFJ Trust and Banking Corporation	668,000	-	-	668,000	5,734	-	-	5,734	0.480	16-Jul-19		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.590	16-Jul-20		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.590	16-Jul-20		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	51,437	-	-	51,437	0.590	16-Jul-20		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	28,586	-	-	28,586	0.590	16-Jul-20		
	Citibank Japan Ltd.	3,000,000	-	-	3,000,000	25,753	-	-	25,753	0.590	16-Jul-20		

Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	22,920	-	-	22,920	0.590	16-Jul-20
Resona Bank, Limited.	1,335,000	-	-	1,335,000	11,460	-	-	11,460	0.590	16-Jul-20
Mitsubishi UFJ Trust and Banking Corporation	668,000	-	-	668,000	5,734	-	-	5,734	0.590	16-Jul-20
Mizuho Bank, Ltd.	3,682,000	-	-	3,682,000	31,607	-	-	31,607	0.490	28-Aug-19
Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	-	3,400,000	29,187	-	-	29,187	0.343	22-Jan-19
Mitsubishi UFJ Trust and Banking Corporation	850,000	-	-	850,000	7,296	-	-	7,296	0.343	22-Jan-19
Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	-	3,400,000	29,187	-	-	29,187	0.600	22-Jan-21
Mitsubishi UFJ Trust and Banking Corporation	850,000	-	-	850,000	7,296	-	-	7,296	0.600	22-Jan-21
Mizuho Bank, Ltd.	4,465,000	-	4,000,000	465,000	38,329	-	34,337	3,991	0.443	30-Mar-19
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,125,000	-	-	1,125,000	9,657	-	-	9,657	0.443	30-Mar-19
Sumitomo Mitsui Trust Bank, Limited	2,181,000	-	-	2,181,000	18,722	-	-	18,722	0.443	30-Mar-19
Shinsei Bank, Limited.	570,000	-	-	570,000	4,893	-	-	4,893	0.443	30-Mar-19
Resona Bank, Limited.	570,000	-	-	570,000	4,893	-	-	4,893	0.443	30-Mar-19
Mitsubishi UFJ Trust and Banking Corporation	650,000	-	-	650,000	5,579	-	-	5,579	0.443	30-Mar-19
Japan Post Bank Co., Ltd.	-	2,000,000	-	2,000,000	-	17,168	-	17,168	0.443	30-Mar-19
Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	8,584	-	-	8,584	0.443	30-Mar-19
The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	2,858	-	-	2,858	0.443	30-Mar-19
The Shizuoka Bank, Ltd.	270,000	1,000,000	-	1,270,000	2,317	8,584	-	10,902	0.443	30-Mar-19
The Daiichi Bank, Ltd.	-	1,000,000	-	1,000,000	-	8,584	-	8,584	0.443	30-Mar-19
The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,317	-	-	2,317	0.443	30-Mar-19
Mizuho Bank, Ltd.	4,465,000	-	3,500,000	965,000	38,329	-	30,045	8,283	0.545	30-Mar-20

<i>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</i>	1,125,000	-	-	1,125,000	9,657	-	-	9,657	0.545	30-Mar-20
<i>Sumitomo Mitsui Trust Bank, Limited</i>	2,180,000	-	-	2,180,000	18,714	-	-	18,714	0.545	30-Mar-20
<i>Shinsei Bank, Limited.</i>	570,000	-	-	570,000	4,893	-	-	4,893	0.545	30-Mar-20
<i>Resona Bank, Limited.</i>	570,000	-	-	570,000	4,893	-	-	4,893	0.545	30-Mar-20
<i>Mitsubishi UFJ Trust and Banking Corporation</i>	650,000	-	-	650,000	5,579	-	-	5,579	0.545	30-Mar-20
<i>Japan Post Bank Co., Ltd.</i>	-	2,000,000	-	2,000,000	-	17,168	-	17,168	0.545	30-Mar-20
<i>The Bank of Fukuoka, Ltd.</i>	333,000	-	-	333,000	2,858	-	-	2,858	0.545	30-Mar-20
<i>The Shizuoka Bank, Ltd.</i>	270,000	-	-	270,000	2,317	-	-	2,317	0.545	30-Mar-20
<i>The Kagawa Bank, Ltd.</i>	-	500,000	-	500,000	-	4,292	-	4,292	0.545	30-Mar-20
<i>The Hyogo Bank, Ltd.</i>	-	1,000,000	-	1,000,000	-	8,584	-	8,584	0.545	30-Mar-20
<i>The Nomura Trust and Banking Co., Ltd.</i>	270,000	-	-	270,000	2,317	-	-	2,317	0.545	30-Mar-20
<i>Mizuho Bank, Ltd.</i>	4,465,000	-	2,500,000	1,965,000	38,329	-	21,461	16,868	0.648	30-Mar-21
<i>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</i>	1,125,000	-	-	1,125,000	9,657	-	-	9,657	0.648	30-Mar-21
<i>Sumitomo Mitsui Trust Bank, Limited</i>	2,180,000	-	-	2,180,000	18,714	-	-	18,714	0.648	30-Mar-21
<i>Shinsei Bank, Limited.</i>	570,000	-	-	570,000	4,893	-	-	4,893	0.648	30-Mar-21
<i>Resona Bank, Limited.</i>	570,000	-	-	570,000	4,893	-	-	4,893	0.648	30-Mar-21
<i>Mitsubishi UFJ Trust and Banking Corporation</i>	650,000	-	-	650,000	5,579	-	-	5,579	0.648	30-Mar-21
<i>The Bank of Fukuoka, Ltd.</i>	333,000	1,000,000	-	1,333,000	2,858	8,584	-	11,443	0.648	30-Mar-21
<i>The Shizuoka Bank, Ltd.</i>	270,000	-	-	270,000	2,317	-	-	2,317	0.648	30-Mar-21
<i>The Kagawa Bank, Ltd.</i>	-	500,000	-	500,000	-	4,292	-	4,292	0.648	30-Mar-21
<i>The Hiroshima Bank, Ltd.</i>	-	1,000,000	-	1,000,000	-	8,584	-	8,584	0.648	30-Mar-21

	<i>The Nomura Trust and Banking Co., Ltd.</i>	270,000	-	-	270,000	2,317	-	-	2,317	0.648	30-Mar-21		
	<i>Citibank Japan Ltd.</i>	1,000,000	-	-	1,000,000	8,584	-	-	8,584	0.443	15-Jun-19		
	<i>Citibank Japan Ltd.</i>	1,000,000	-	-	1,000,000	8,584	-	-	8,584	0.545	15-Jun-20		
	<i>Citibank Japan Ltd.</i>	1,000,000	-	-	1,000,000	8,584	-	-	8,584	0.648	15-Jun-21		
	<i>Development Bank of Japan Inc.</i>	1,000,000	-	-	1,000,000	8,584	-	-	8,584	0.443	30-Jun-19		
	<i>AEON Bank, Ltd.</i>	3,000,000	-	-	3,000,000	25,753	-	-	25,753	0.648	30-Jun-21		
	<i>The Tokyo Star Bank, Limited</i>	-	700,000	-	700,000	-	6,009	-	6,009	0.443	20-Jul-19		
	<i>The Tokyo Star Bank, Limited</i>	-	1,600,000	-	1,600,000	-	13,735	-	13,735	0.545	20-Jul-20		
	<i>The Tokyo Star Bank, Limited</i>	-	1,700,000	-	1,700,000	-	14,593	-	14,593	0.648	20-Jul-21		
	<i>Total long-term loans payable</i>	138,419,000	14,000,000	10,000,000	142,419,000	1,188,247	120,181	85,844	1,222,585				
	<i>Total loans payable</i>	¥141,917,000	¥14,000,000	¥13,498,000	¥142,419,000	\$ 1,218,276	\$ 120,181	\$ 115,872	\$ 1,222,585				

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 principal was repaid using the refund of consumption taxes on November 30, 2016.
- (4) Repayment schedule of long-term loans payable (except for the current portion) for the next five years after each balance sheet date are as follows:

	As of	
	December 31, 2016	December 31, 2016
	(in thousands of yen)	(in thousands of U.S. dollars)
1-2 years.....	¥ 28,979,000	\$ 248,768
2-3 years.....	51,045,000	438,192
3-4 years.....	42,012,000	360,648
4-5 years.....	20,383,000	174,976

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\$ 429 thousand) as required by Article 67-4 of the Investment Trust Act.

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

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

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 June 30, 2016 and December 31, 2016.

	For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 4,363,420	¥ 5,659,831	\$ 48,586
Reversal of reserve for temporary differences adjustment	(708)	-	-
Reversal of allowance for temporary differences adjustment.....	-	(224,225)	(1,924)
Distributions in excess of retained earnings			
Allowance for temporary differences adjustment	(224,225)	-	-
Deduction from capital surplus	-	-	-
Distributions	(4,359,527)	(5,429,192)	(46,606)
Of which, distributions of earnings	(4,135,302)	(5,429,192)	(46,606)
Of which, allowance for adjustment of temporary differences	(224,225)	-	-
Of which, distributions in excess of net earnings	-	-	-
Voluntary reserve	-	-	-
Reserve for temporary differences adjustment	-	-	-
Retained earnings carried forward	¥ 228,827	¥ 6,414	\$ 55

The distributions in respect of the six months ended December 31, 2016 of ¥1,477 (US\$12.6) per investment unit, amounting to a total dividend of ¥5,659,831 thousand (US\$48,586 thousand), including distributions in excess of retained earnings (return of capital), was proposed and approved at the Board of Directors meeting on February 22, 2017. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥1,186 and ¥1,477 (US\$12.6) for the six months ended June 30, 2016, and December 31, 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 June 30, 2016 and December 31, 2016 consist of the following:

	For the six months ended		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges	¥ 7,889,877	¥ 9,237,784	\$ 79,301
Other	268,342	273,682	2,349
Total rental revenue – real estate	¥ 8,158,220	¥ 9,511,466	\$ 81,650
Expenses related to property rental business:			
Facility management fees	¥ 554,149	¥ 580,896	\$ 4,986
Property related taxes	281,065	356,372	3,059
Insurance expense	12,669	11,807	101
Depreciation	1,676,736	2,065,066	17,727
Other	173,364	147,924	1,269
Total expenses related to property rental business	¥ 2,697,986	¥ 3,162,067	\$ 27,144
Operating income from property leasing activities.....	¥ 5,460,234	¥ 6,349,399	\$ 54,505

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	
	June 30, 2016	December 31, 2016
	(Rate)	
Statutory tax rates	32.31 %	31.74 %
Deductible cash distributions	(32.31)	(31.71)
Increase (decrease) in valuation allowance	(2.72)	(0.09)
Other	2.63	0.08
Effective tax rates	0.01 %	0.01 %

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

	As of		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Current:			
Enterprise tax payable	¥ 481	¥ 661	\$ 5
Rental receivables (merger)	183	-	-
Allowance for doubtful accounts	877	423	3

Total	1,542	1,084	9
Non-current:			
Buildings and other (merger)	711,143	700,210	6,010
Land (merger)	2,092,087	2,092,087	17,959
Deferred gains or losses on hedges	72,218	-	-
Net loss carried forward	7,200,289	7,200,289	61,810
Asset retirement obligations	9,855	9,921	85
Fixed-term leasehold	-	16,248	139
Subtotal	10,085,594	10,018,757	86,005
Deferred tax liabilities:			
Non-current			
Asset retirement obligations	9,797	9,797	84
Deferred gains or losses on hedges	-	48,009	412
Subtotal	9,797	57,807	496
Valuation allowance	(10,077,339)	(9,960,950)	(85,509)
Total	-	-	-
Net deferred tax assets	¥ -	¥ -	\$ -

14. Leases

(a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of December 30, 2016 and December 31, 2016 scheduled to be received are summarized as follows:

	As of		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 5,988,176	¥ 5,988,176	\$ 51,405
Due over one year	50,718,568	47,412,300	407,007
Total	¥ 56,706,745	¥ 53,400,477	\$ 458,412

(b) Lease rental expenses

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

	As of		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year	¥ 244,619	¥ 244,619	\$ 2,099
Due over one year	7,490,299	7,367,989	63,249
Total	¥ 7,734,918	¥ 7,612,609	\$ 65,349

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 June 30, 2016 and December 31, 2016.

	As of								
	June 30, 2016			December 31, 2016			December 31, 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	¥ 11,322,762	¥ 11,322,762	¥ -	¥ 8,714,907	¥ 8,714,907	¥ -	\$ 74,812	\$ 74,812	\$ -
(2) Cash and bank deposits in trust	5,441,316	5,441,316	-	5,499,826	5,499,826	-	47,212	47,212	-
Total assets	¥ 16,764,078	¥ 16,764,078	¥ -	¥ 14,214,734	¥ 14,214,734	¥ -	\$ 122,025	\$ 122,025	\$ -
Liabilities:									
(3) Short-term loans payable	¥ 3,498,000	¥ 3,498,000	¥ -	¥ -	¥ -	¥ -	\$ -	\$ -	\$ -
(4) Account payable - other	8,957,286	8,957,286	-	-	-	-	-	-	-
(5) Long-term loans payable	138,419,000	138,419,000	-	142,419,000	142,419,000	-	1,222,585	1,222,585	-
Total liabilities	¥ 150,874,286	¥ 150,874,286	¥ -	¥ 142,419,000	¥ 142,419,000	¥ -	\$ 1,222,585	\$ 1,222,585	\$ -

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		
	June 30, 2016	December 31, 2016	December 31, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits	¥ 28,663	¥ 28,663	\$ 246
Tenant leasehold and security deposits in trust	¥ 2,035,843	¥ 2,030,396	\$ 17,429

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

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
(in thousands of yen)						
As of June 30, 2016:						
Cash and bank deposits	¥ 11,322,762	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	5,441,316	-	-	-	-	-
Total	¥ 16,764,078	¥ -	¥ -	¥ -	¥ -	¥ -

As of December 31, 2016:						
Cash and bank deposits	¥ 8,714,907	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	5,499,826	-	-	-	-	-
Total	¥ 14,214,734	¥ -	¥ -	¥ -	¥ -	¥ -

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
(in thousands of U.S. dollars)						
As of December 31, 2016:						
Cash and bank deposits	\$ 74,812	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	47,212	-	-	-	-	-
Total	\$ 122,025	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
(in thousands of yen)						
As of June 30, 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	¥ -

As of December 31, 2016:						
Short-term loans payable	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	28,979,000	51,045,000	42,012,000	20,383,000	-
Total	¥ -	¥ 28,979,000	¥ 51,045,000	¥ 42,012,000	¥ 20,383,000	¥ -

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
(in thousands of U.S. dollars)						
As of December 31, 2016:						
Short-term loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term loans payable	-	248,768	438,192	360,648	174,976	-
Total	\$ -	\$ 248,768	\$ 438,192	\$ 360,648	\$ 174,976	\$ -

16. Derivatives

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

As of June 30, 2016:

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

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

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

As of December 31, 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 floating rate receivable and Fixed rate payable	Long-term borrowings	¥ 99,119,000	¥ 99,119,000	¥ 151,259	\$ 850,879	\$ 850,879	\$ 1,298
Total			¥ 99,119,000	¥ 99,119,000	¥ 151,259	\$ 850,879	\$ 850,879	\$ 1,298

(*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 June 30, 2016 and December 31, 2016 are as follows.

	For the six month ended		
	June 30, 2016	December 31, 2016	December, 2016
	(in thousands of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period	¥ -	¥ 31,050	\$ 266
Liabilities incurred due to the acquisition of properties	30,868	-	-
Accretion expense	182	209	1
Balance at the end of the period	¥ 31,050	¥ 31,260	\$ 268

18. Segment Information

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

For the six months ended June 30, 2016

Name of client	Operating Revenues (in thousands of yen)	Related segment
Mystays Hotel Management Co.,Ltd.	¥3,389,166	Real estate investing business

For the six months ended December 31, 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.	¥4,043,845	\$34,714	Real estate investing business
Naqua Hotel & Resorts Management Co.,Ltd.	¥1,040,790	\$8,934	Real estate investing business

19. Related-Party Transactions

(a) Parent Company and Major Corporate Unitholders

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)			Type of transactions	Amounts (1) (in thousands of yen)	Balance sheet account	Amounts(1) (in thousands of yen)
Interested party of the Asset Manager	Aki TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥3,160,000	-	-
	Navaro TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥20,155,000	-	-
	Momo TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥7,934,000	-	-
	Tsuki TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥24,674,000	-	-
	Septentrio TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥12,588,600	-	-
	Septentrio 2 TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥4,196,199	-	-
	Septentrio 3 TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥4,196,199	-	-
	Ginga TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥13,761,000	Accounts payable-other	¥8,800,548
	Wakusei TMK(3)	Minato-ku Tokyo	Investment management business	¥ 0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(5)	¥2,139,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd.(3)	Minato-ku Tokyo	Hotel management business	¥ 10	-	Lease holder and operator of hotel	Rental Revenues	¥627,563	Rental receivables	¥220,811
	Mystays Hotel Management, Co.Ltd(3)	Minato-ku Tokyo	Hotel management business	¥ 100	-	Lease holder and operator of hotel	Rental Revenues	¥3,389,166	Rental receivables	¥990,543

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, 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.
- Calliope holds 609,942 units (holding ratio: 16.6%) 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)
A103	Royal Parks Momozaka	Momo TMK	2,910,000
A104	Royal Parks Shinden	Momo TMK	5,024,000
D38	Hotel Mystays Shinsaibashi	Aki TMK	3,160,000
D39	Comfort Hotel Kurosaki	Navaro TMK	1,148,000
D40	Comfort Hotel Maebashi	Navaro TMK	1,128,000
D41	Comfort Hotel Tsubame-Sanjo	Navaro TMK	1,010,000
D42	Comfort Hotel Kitami	Navaro TMK	851,000
D43	Hotel Mystays Gotanda Station	Tsuki TMK	24,674,000
D44	Hotel Epinard Nasu	Septentrio TMK Septentrio 2 TMK Septentrio 3 TMK	20,981,000
D45	Hotel MyStays Fukuoka Tenjin	Navaro TMK	8,059,000
D46	Hotel MyStays Hamamatsucho	Navaro TMK	7,959,000

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)
D47	Hotel MyStays Kanazawa	Ginga TMK	13,761,000
D48	Takamatsu Tokyu REI Hotel	Wakusei TMK	2,139,000
		Total	92,804,000

For the six months ended December 31, 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)
Interested party of the Asset Manager	Ginga TMK(2)	Minato-ku, Tokyo	Investment management business	¥ 0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Payment of accounts payable	¥8,800,548	\$75,547	Accounts payable-other	-	-
	Naqua Hotel & Resorts Management Co., Ltd.(2)	Minato-ku, Tokyo	Hotel management business	¥ 10	\$ 0	-	Lease holder and operator of hotel	Rental Revenues	¥1,040,790	\$ 8,934	Rental receivables	¥92,474	\$ 793
	Mystays Hotel Management Co., Ltd.(2)	Minato-ku, Tokyo	Hotel management business	¥ 100	\$ 0	-	Lease holder and operator of hotel	Rental Revenues	¥4,043,845	\$ 34,714	Rental receivables	¥1,146,414	\$ 9,841

Notes:

- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.
- Ginga 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 Ginga TMK, Naqua Hotel & Resorts Management Co., Ltd and Mystays Hotel Management, Co. Ltd as a related party.
- Calliope holds 609,942 units (holding ratio: 16.6%) of the issued investment units of the Company.

(b) Board of Directors and Major Individual Unitholders

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 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)	¥ 259,280	Accrued expenses	¥ 135,000
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	Accrued expenses	¥ 324

Notes:

- 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.
- 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.
- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

For the six months ended December 31, 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	\$ 2,146	Accrued expenses	¥ 135,000	\$ 1,158
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	\$ 5	Accrued expenses	¥ 324	\$ 2

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 June 30, 2016 and December 31, 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					
	June 30, 2016		December 31, 2016		December 31, 2016	
	(Yen)				(U.S. dollars)	
Net asset value per unit	¥	35,368	¥	35,762	\$	306
Net income per unit	¥	1,270	¥	1,477	\$	12
Weighted average number of units		3,436,572		3,675,824		-

21. Subsequent events

(a) Issuance of New Investment Units

The board of directors held on February 22, 2017 and March 6, 2017 approved the issuance of new investment units and secondary distribution of investment units. Payment for the new investment units issued via public offering was completed on March 13, 2017. In addition, with the respect to the issuance of new investment units through the third-party allotment in connection with the overallotment for the public offering, the payment date is April 12, 2017. In the case that the application and payment are completed for all allocated investment units through the third-party allotment, holders' capital becomes JPY129,180 million and the number of investment units issued and outstanding become 3,870,074 units.

(i) Issuance of new investment units through public offering

(a) Number of investment units	Domestic public offering : 146,150 units
	International : 38,850 units
	Total :185,000 units

(b) Issue price (offer price) : JPY 46,897 per unit

(c) Total issue price (total offer price) : JPY 8,675,945,000

(d) Amount paid in (issue value) : JPY 45,370 per unit

(e) Total amount paid in (total issue value) : JPY 8,393,450,000

(f) Payment date : March 13, 2017

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

(a) Number of investment units	: 9,250 units
(b) Offer price	: JPY 46,879 per unit
(c) Total offer value	: JPY 433,797,250
(d) Delivery date	: March 14, 2017

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

(a) Number of investment units	: 9,250 units
(b) Amount paid in (issue value)	: JPY 45,370 per unit
(c) Total amount paid in (total issue value)	: JPY 419,672,500
(d) Payment date	: April 12, 2017
(e) Allottee	: Mizuho Securities Co, Ltd.

(b) New borrowings

The Company borrowed a portion of the consideration on March 14, 2017 for the acquisition of 2 residential properties.

Syndicate Loan (G)

- (a)Lender : The Syndicate group organized by Mizuho Bank, Ltd.
- (b)Borrowing amount : JPY 11,250 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 thorough principal maturity date, with the first interest payment date set on March 31, 2017
- (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 : March 14, 2017
- (h)Principal maturity date : March 14, 2020, March 14, 2021, March 14, 2022

Term Loan (F)

- (a)Lender : Sumitomo Mitsui Banking Corporation
- (b)Borrowing amount : JPY 3,000 million
- (c)Interest rate : One-month JPY TIBOR + spread (0.45%)
- (d)Interest payment date : Last business day of each month from borrowing date thorough principal maturity date, with the first interest payment date set on March 31, 2017
- (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 : March 14, 2017
- (h)Principal maturity date : September 14, 2020

(c) Acquisition of Assets

The Company decided to acquire 2 properties as shown in the following table, of which the total acquisition price is JPY 24,562 million, on February 22, 2017 and acquired the 2 properties on March 14, 2017.

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Total rentable area	Seller	Category of Specified Assets
Residential	A105	Royal Parks Tower Minami-Senju	Arakawa-ku, Tokyo	21,879	39,113.46 m ²	Sakura TMK	Trust Beneficial Interest
	A106	Royal Parks Seasir Minami-Senju	Arakawa-ku, Tokyo	2,683	6,496.86 m ²	Momo TMK	Trust Beneficial Interest

Total	24,562	45,610.32 m ²		
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(Note 1) The transaction amount exclude adjusted amount of real property taxes and city planning taxes, as well as consumption taxes and local consumption taxes.