

Independent auditor's report

To the Board of Directors of MORI TRUST Hotel Reit, Inc.:

Opinion

We have audited the accompanying financial statements of MORI TRUST Hotel Reit, Inc., which comprise the balance sheets as at February 28, 2021 and August 31, 2021, the statements of income, statements of changes in net assets, statements of cash distributions and statements of cash flows for the six-month periods then ended, and the notes to financial statements, and the supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MORI TRUST Hotel Reit, Inc. as at February 28, 2021 and August 31, 2021, and its financial performance and its cash flows for the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MORI TRUST Hotel Reit, Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing MORI TRUST Hotel Reit, Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of its duties with regard to the design, implementation and maintenance of MORI TRUST Hotel Reit, Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of MORI TRUST Hotel Reit, Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MORI TRUST Hotel Reit, Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MORI TRUST Hotel Reit, Inc. to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in MORI TRUST Hotel Reit, Inc. which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

熊本幸雄 

Yukio Kumaki

Designated Engagement Partner

Certified Public Accountant

橋本宏徳 

Hironori Hashizume

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

December 13, 2021

Asset Management Report
MORI TRUST Hotel Reit, Inc.
11th Fiscal Period
(March 1, 2021 – August 31, 2021)

1. Methods of Preparation of Financial Statements

The financial statements of MORI TRUST Hotel Reit, Inc. have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ministry of Finance Ordinance No.59 of 1963, as amended; hereinafter the “Ordinance on Financial Statements, etc.”) as well as the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended) under the provisions of Article 2 of the Ordinance on Financial Statements, etc.

Unless otherwise specified, amounts have been rounded down to the nearest thousand yen in the accompanying financial statements and the notes thereto, as permitted by the Financial Instruments and Exchange Act of Japan. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

2. Consolidated Financial Statements

MORI TRUST Hotel Reit, Inc. does not prepare consolidated financial statements because it has no subsidiaries.

1. Financial statements

(1) Balance sheets

(Thousands of yen)

	Previous fiscal period (as of February 28, 2021)	Current fiscal period (as of August 31, 2021)
Assets		
Current assets		
Cash and deposits	2,147,750	3,647,252
Cash and deposits in trust	921,761	1,577,143
Operating accounts receivable	3,825	1,752
Prepaid expenses	16,279	11,491
Total current assets	3,089,617	5,237,639
Non-current assets		
Property and equipment		
Machinery and equipment	8,803	14,623
Accumulated depreciation	(943)	(1,601)
Machinery and equipment, net	7,860	13,021
Tools, furniture and fixtures	40,322	43,770
Accumulated depreciation	(7,408)	(10,240)
Tools, furniture and fixtures, net	32,914	33,529
Buildings in trust	20,598,556	20,463,851
Accumulated depreciation	(2,975,800)	(3,310,759)
Buildings in trust, net	17,622,756	17,153,091
Structures in trust	8,590	8,450
Accumulated depreciation	(4,959)	(5,142)
Structures in trust, net	3,630	3,307
Machinery and equipment in trust	5,034	5,034
Accumulated depreciation	(744)	(1,002)
Machinery and equipment in trust, net	4,290	4,032
Tools, furniture and fixtures in trust	17,801	18,578
Accumulated depreciation	(4,391)	(5,689)
Tools, furniture and fixtures in trust, net	13,410	12,888
Land in trust	88,512,726	87,891,316
Total property and equipment	106,197,587	105,111,187
Intangible assets		
Software	874	549
Total intangible assets	874	549
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	5,383	412
Deferred tax assets	10	16
Total investments and other assets	15,394	10,429
Total non-current assets	106,213,856	105,122,166
Total assets	109,303,473	110,359,806

(Thousands of yen)

	Previous fiscal period (as of February 28, 2021)	Current fiscal period (as of August 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	18,782	116,524
Short-term loans payable	*2 5,975,000	5,975,000
Current portion of long-term loans payable	*2 11,500,000	14,500,000
Accounts payable	105,574	121,223
Accrued expenses	47,007	44,376
Distribution payable	3,197	2,687
Income taxes payable	824	949
Accrued consumption taxes	7,071	104,734
Advances received	265,525	266,921
Deposits received	404	214
Total current liabilities	17,923,387	21,132,632
Non-current liabilities		
Long-term loans payable	*2 36,500,000	33,500,000
Tenant leasehold and security deposits	4,554,473	4,520,923
Other non-current liabilities	1	—
Total non-current liabilities	41,054,474	38,020,923
Total liabilities	58,977,862	59,153,555
Net assets		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	325,611	1,206,250
Total surplus	325,611	1,206,250
Total unitholders' equity	50,325,611	51,206,250
Total net assets	*1 50,325,611	*1 51,206,250
Total liabilities and net assets	109,303,473	110,359,806

(2) Statements of income

(Thousands of yen)

	Previous fiscal period (September 1, 2020 – February 28, 2021)		Current fiscal period (March 1, 2021 – August 31, 2021)	
Operating revenues				
Rental revenues	*1	1,211,834	*1	1,846,776
Other rental revenues	*1	2,231	*1	2,265
Gain on sale of real estate properties		—	*2	261,297
Total operating revenues		1,214,065		2,110,340
Operating expenses				
Rental expenses	*1	655,828	*1	651,681
Asset management fee		86,429		90,462
Asset custody and administrative service fees		12,617		15,504
Directors' compensations		3,600		3,600
Other operating expenses		22,856		34,023
Total operating expenses		781,331		795,271
Operating income		432,733		1,315,068
Non-operating income				
Interest income		16		15
Reversal of distributions payable		482		525
Interest on refund		—		59
Total non-operating income		498		600
Non-operating expenses				
Interest expenses		106,981		108,544
Other		20		40
Total non-operating expenses		107,002		108,584
Ordinary income		326,229		1,207,084
Income before income taxes		326,229		1,207,084
Income taxes - current		826		951
Income taxes - deferred		7		(6)
Total income taxes		834		945
Net income		325,395		1,206,139
Retained earnings brought forward		215		111
Unappropriated retained earnings		325,611		1,206,250

(3) Statements of changes in net assets

Previous fiscal period (September 1, 2020 – February 28, 2021)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of current period	50,000,000	880,715	880,715	50,880,715	50,880,715
Changes of items during period					
Distribution of retained earnings		(880,500)	(880,500)	(880,500)	(880,500)
Net income		325,395	325,395	325,395	325,395
Total changes of items during period	—	(555,104)	(555,104)	(555,104)	(555,104)
Balance at end of current period	*1 50,000,000	325,611	325,611	50,325,611	50,325,611

Current fiscal period (March 1, 2021 – August 31, 2021)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of current period	50,000,000	325,611	325,611	50,325,611	50,325,611
Changes of items during period					
Distribution of retained earnings		(325,500)	(325,500)	(325,500)	(325,500)
Net income		1,206,139	1,206,139	1,206,139	1,206,139
Total changes of items during period	—	880,639	880,639	880,639	880,639
Balance at end of current period	*1 50,000,000	1,206,250	1,206,250	51,206,250	51,206,250

(4) Statements of cash distributions

(yen)

	Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
I. Unappropriated retained earnings	325,611,470	1,206,250,571
II. Distributions (Distributions per unit)	325,500,000 (651)	1,206,000,000 (2,412)
III. Retained earnings brought forward	111,470	250,571
Calculation method of distribution amount	Pursuant to the policy for cash distribution set forth in Article 36, paragraph 1 of the Articles of Incorporation of MORI TRUST Hotel Reit, Inc., distributions shall be limited to the amount within profits, which shall be an amount exceeding ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15, paragraph 1 of the Act on Special Measures Concerning Taxation. In consideration of this policy, MORI TRUST Hotel Reit, Inc. will pay distributions of profits at the total amount of ¥325,500,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 500,000, which is the number of investment units issued and outstanding.	Pursuant to the policy for cash distribution set forth in Article 36, paragraph 1 of the Articles of Incorporation of MORI TRUST Hotel Reit, Inc., distributions shall be limited to the amount within profits, which shall be an amount exceeding ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15, paragraph 1 of the Act on Special Measures Concerning Taxation. In consideration of this policy, MORI TRUST Hotel Reit, Inc. will pay distributions of profits at the total amount of ¥1,206,000,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 500,000, which is the number of investment units issued and outstanding.

(5) Statements of cash flows

(Thousands of yen)

	Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
Cash flows from operating activities		
Income before income taxes	326,229	1,207,084
Depreciation	364,105	365,094
Interest income	(16)	(15)
Interest expenses	106,981	108,544
Decrease (increase) in operating accounts receivable	(2,073)	2,073
Decrease (increase) in prepaid expenses	(14,898)	4,788
Decrease (increase) in long-term prepaid expenses	(5,383)	4,971
Increase (decrease) in operating accounts payable	(105,683)	107,989
Increase (decrease) in accounts payable	(6,745)	15,649
Increase (decrease) in accrued consumption taxes	(123,137)	97,662
Increase (decrease) in advances received	89,090	1,395
Decrease in property and equipment in trust due to sale	—	738,450
Other, net	(668)	(714)
Subtotal	627,801	2,652,974
Interest income received	16	15
Interest expenses paid	(109,566)	(111,175)
Income taxes paid	(982)	(826)
Net cash provided by operating activities	517,268	2,540,988
Cash flows from investing activities		
Purchase of property and equipment	(4,199)	(8,028)
Purchase of property and equipment in trust	(17,486)	(19,039)
Repayments of tenant leasehold and security deposits	—	(33,550)
Net cash used in investing activities	(21,686)	(60,617)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	5,975,000
Repayments of short-term loans payable	—	(5,975,000)
Proceeds from long-term loans payable	3,000,000	4,000,000
Repayments of long-term loans payable	(3,000,000)	(4,000,000)
Distributions paid	(880,203)	(325,486)
Net cash used in financing activities	(880,203)	(325,486)
Net increase (decrease) in cash and cash equivalents	(384,622)	2,154,884
Cash and cash equivalents at beginning of period	3,454,134	3,069,511
Cash and cash equivalents at end of period	*1 3,069,511	*1 5,224,396

(6) Notes to financial statements

[Significant accounting policies]

1. Method of depreciation of non-current assets	<p>(1) Property and equipment (including trust accounts) The straight-line method is used. The useful lives of major property and equipment components are as follows:</p> <table border="0"> <tr> <td>Machinery and equipment</td> <td>8 to 10 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>4 to 15 years</td> </tr> <tr> <td>Buildings in trust</td> <td>6 to 72 years</td> </tr> <tr> <td>Structures in trust</td> <td>2 to 15 years</td> </tr> <tr> <td>Machinery and equipment in trust</td> <td>8 to 10 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td>3 to 15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is used. Internal-use software are amortized by the straight-line method over their useful lives (5 years).</p>	Machinery and equipment	8 to 10 years	Tools, furniture and fixtures	4 to 15 years	Buildings in trust	6 to 72 years	Structures in trust	2 to 15 years	Machinery and equipment in trust	8 to 10 years	Tools, furniture and fixtures in trust	3 to 15 years
Machinery and equipment	8 to 10 years												
Tools, furniture and fixtures	4 to 15 years												
Buildings in trust	6 to 72 years												
Structures in trust	2 to 15 years												
Machinery and equipment in trust	8 to 10 years												
Tools, furniture and fixtures in trust	3 to 15 years												
2. Recognition of revenue and expenses	<p>Accounting treatment of property tax, etc. For property taxes, city planning taxes, depreciable assets taxes, etc., for real estate held, the amount of tax levied corresponding to the relevant accounting period is recorded as rental expenses. The amount equivalent to property taxes, etc. to be paid by MORI TRUST Hotel Reit, Inc. in the first year for acquisition of trust beneficiary rights in real estate is not recorded as expenses but included in the acquisition costs for the related trust beneficiary rights. No property taxes, etc. were included in acquisition costs for trust beneficiary rights for the previous fiscal period and the current fiscal period.</p>												
3. Scope of cash and cash equivalents in the statements of cash flows	<p>Cash and cash equivalents in the statements of cash flows include the following:</p> <ol style="list-style-type: none"> (1) cash on hand and cash in trust; (2) deposits and deposits in trust that can be withdrawn at any time; and (3) short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months of the date of acquisition. 												
4. Accounting treatment of trust beneficiary interests in real estate, etc.	<p>For trust beneficiary interests in real estate owned by MORI TRUST Hotel Reit, Inc., all accounts of assets and liabilities within the assets in trust as well as all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheets and statements of income. The following assets in trust recognized in the relevant accounts are presented separately on the balance sheets due to their materiality.</p> <ol style="list-style-type: none"> (1) Cash and deposits in trust (2) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and land in trust 												
5. Accounting treatment of consumption taxes, etc.	<p>Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.</p>												

[Notes on change in presentation method]

MORI TRUST Hotel Reit, Inc. has adopted “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 31, March 31, 2020) from the fiscal period ended August 31, 2021 and disclosed a note on Significant accounting estimates below. However, in accordance with the transitional treatment as stipulated in the proviso of Paragraph 11 of the Accounting Standard, there is no information to be disclosed for the fiscal period ended February 28, 2021.

[Significant accounting estimates]

Valuation of non-current assets

1. Book value of non-current assets and the impairment loss recorded

(Thousands of yen)

	Current fiscal period (as of and for the six-month period ended August 31, 2021)
Property and equipment	105,111,187
Intangible assets	549
Impairment loss	—

2. Information on the nature of significant accounting estimates for identified items

In accordance with the accounting standard for impairment of non-current assets, MORI TRUST Hotel Reit, Inc. has adopted the accounting treatment to reduce the book value of non-current assets to a recoverable amount when the invested amount is deemed to be unrecoverable due to lowered profitability.

In adopting the accounting treatment, the respective properties owned by MORI TRUST Hotel Reit, Inc. are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant decline in the market value and significant deterioration of the business environment, etc.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount, and the reduced amount is recorded as impairment losses.

In estimating the future cash flow, the underlying rent, occupancy rate and real estate rental expenses, etc. are determined by comprehensively taking into account the market trends and transaction cases of similar properties, etc.

In the course of real estate rental business of MORI TRUST Hotel Reit, Inc., demand for hotel services from domestic and foreign tourists, business guests, banquets, etc. is still weak due to the worldwide spread of the novel coronavirus (COVID-19), and variable rents based on hotel operating performance have decreased significantly.

The timing of the convergence of COVID-19 is uncertain and difficult to estimate. MORI TRUST Hotel Reit, Inc. made estimate on accounting to apply accounting for impairment of non-current assets including whether there is any indication of impairment loss based on assumptions that impact by COVID-19 will continue through fiscal period ending February 28, 2022 (from September 1, 2021 to February 28, 2022) and gradually recover after certain period of time.

Since it is difficult to predict with certainty when the spread of COVID-19 will be eliminated and the extent of the impact, any change in the spread of COVID-19 and impact on the economy may affect the status of asset, profit and loss, cash flow of MORI TRUST Hotel Reit, Inc.

[Notes to balance sheets]

	Previous fiscal period (as of February 28, 2021)	Current fiscal period (as of August 31, 2021)
*1 Minimum net assets as provided in Article 67, paragraph 4 of the Investment Trust Law	50,000 thousand yen	50,000 thousand yen
*2 Financial covenants	Due to the impact of the COVID-19 pandemic, the SDSCR value (an index that determines the ability to pay principal and interest in a certain stress scenario) fell below the standard value. As a result, MORI TRUST Hotel Reit has retained a certain amount within the range of depreciation recorded in the previous fiscal year in the principal and interest reserve account in accordance with the borrowing agreement between MORI TRUST Hotel Reit and financial institutions, and it also plans to retain a certain amount within the range of depreciation recorded in the current fiscal year. If the SDSCR value remains below the standard value in the next fiscal year and beyond, prepayments could be made using the money reserved in the relevant principal and interest reserve account.	—

[Notes to statements of income]

(Thousands of yen)

	Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
*1 Breakdown of real estate rental income	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 1,211,834</p> <p>Other rental revenues</p> <p>Others 2,231</p> <p>Total real estate rental revenues 1,214,065</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 280,357</p> <p>Insurance expenses 5,394</p> <p>Repairs and maintenance expenses 5,321</p> <p>Depreciation 363,805</p> <p>Other rental expenses 950</p> <p>Total real estate rental expenses 655,828</p> <p>C. Real estate rental income (A – B) 558,237</p>	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 1,846,776</p> <p>Other rental revenues</p> <p>Others 2,265</p> <p>Total real estate rental revenues 1,849,042</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 278,233</p> <p>Insurance expenses 5,468</p> <p>Repairs and maintenance expenses 2,234</p> <p>Depreciation 364,794</p> <p>Other rental expenses 950</p> <p>Total real estate rental expenses 651,681</p> <p>C. Real estate rental income (A – B) 1,197,360</p>
*2 Breakdown of gain on sale of real estate properties	—	<p>Courtyard by Marriott Tokyo Station (5.5% Quasi-Co-Ownership Interest)</p> <p>Proceeds from sale of real estate properties 1,001,000</p> <p>Cost of sale of real estate properties 738,450</p> <p>Other expenses on sale 1,251</p> <p>Gain on sale of real estate properties 261,297</p>

[Notes to statements of changes in net assets]

	Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
*1 Total number of authorized investment units and total number of investment units issued and outstanding		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding at the end of the fiscal period	500,000 units	500,000 units

[Notes to statements of cash flows]

(Thousands of yen)

	Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	(as of February 28, 2021)	(as of August 31, 2021)
	Cash and deposits 2,147,750	Cash and deposits 3,647,252
	Cash and deposits in trust 921,761	Cash and deposits in trust 1,577,143
	Cash and cash equivalents 3,069,511	Cash and cash equivalents 5,224,396

[Lease transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of February 28, 2021)	Current fiscal period (as of August 31, 2021)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	7,175,703	6,523,366
Total	8,480,376	7,828,040

[Financial instruments]

1. Matters regarding financial instruments

(1) Policy for financial instruments

To conduct the efficient management of assets and contribute to the management stability, MORI TRUST Hotel Reit, Inc. procures funds for the acquisition of assets, the payment of repair and maintenance expenses and dividends, the repayment of debt (including the repayment of leasehold deposits, etc. and loans as well as the obligations of investment corporation bonds), working capital, etc. mainly by borrowing, issuing investment corporation bonds, or issuing investment units.

Surplus funds are carefully invested in consideration of the safety of the investment and convertibility into cash and in view of interest rates and cash flows.

(2) Types of financial instruments, related risk and risk management for financial instruments

Proceeds from borrowings are used mainly to acquire trust beneficiary interests in real estate.

These borrowings are exposed to liquidity risks at maturity. However, MORI TRUST Hotel Reit, Inc. appropriately manages the LTV ratio to limit the impact of higher market interest rates on MORI TRUST Hotel Reit, Inc.'s operations, and also seeks to disperse of maturities to manage this risk.

(3) Supplementary remarks on fair value of financial instruments

The fair value of financial instruments is based on market prices or a reasonably calculated value if there is no market price available. As certain assumptions are used in calculating these values, these values may vary if different assumptions are used.

2. Matters regarding fair value of financial instruments

Balance sheet carrying amounts, fair values, and the differences between them as of February 28, 2021 are as shown below. Financial instruments whose fair values are considered to be extremely difficult to determine are not included in the table below (Note 2).

(Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	2,147,750	2,147,750	—
(2) Cash and deposits in trust	921,761	921,761	—
Total assets	3,069,511	3,069,511	—
(1) Short-term loans payable	5,975,000	5,975,000	—
(2) Current portion of long-term loans payable	11,500,000	11,524,819	24,819
(3) Long-term loans payable	36,500,000	36,599,282	99,282
Total liabilities	53,975,000	54,099,102	124,102

Balance sheet carrying amounts, fair values, and the differences between them as of August 31, 2021 are as shown below. Financial instruments whose fair values are considered to be extremely difficult to determine are not included in the table below (Note 2).

(Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	3,647,252	3,647,252	—
(2) Cash and deposits in trust	1,577,143	1,577,143	—
Total assets	5,224,396	5,224,396	—
(1) Short-term loans payable	5,975,000	5,975,000	—
(2) Current portion of long-term loans payable	14,500,000	14,513,420	13,420
(3) Long-term loans payable	33,500,000	33,495,980	(4,019)
Total liabilities	53,975,000	53,984,401	9,401

(Note 1) Measurement of fair values of financial instruments

Assets

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

As these items are settled within a short-term period, their fair value approximates the balance sheet carrying amount. Therefore, for these items, the carrying value is reported as the fair value.

Liabilities

(1) Short-term loans payable

As short-term loans payable are settled within a short-term period, the fair value approximates the balance sheet carrying amount. Therefore, for this item, the carrying value is reported as the fair value.

(2) Current portion of long-term loans payable and (3) Long-term loans payable

The fair value of these items are calculated by discounting the total of principal and interest at the rate to be applied if similar new loans were entered into.

(Note 2) Balance sheet carrying amount of financial instruments whose fair value is considered to be extremely difficult to determine

(Thousands of yen)

	Previous fiscal period (as of February 28, 2021)	Current fiscal period (as of August 31, 2021)
Tenant leasehold and security deposits	4,554,473	4,520,923

Tenant leasehold and security deposits, which are deposited by lessees of rental properties, are not subject to fair value disclosure because there are no market prices for them and it is not possible to reasonably estimate future cash flow because it is impossible to estimate the actual deposit term, and therefore it is considered to be extremely difficult to determine their fair values.

(Note 3) Redemption schedule for monetary claims after balance sheet date (as of February 28, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	2,147,750	—	—	—	—	—
Cash and deposits in trust	921,761	—	—	—	—	—
Total	3,069,511	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of August 31, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	3,647,252	—	—	—	—	—
Cash and deposits in trust	1,577,143	—	—	—	—	—
Total	5,224,396	—	—	—	—	—

(Note 4) Expected amount of repayments of loans after balance sheet date (as of February 28, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	5,975,000	—	—	—	—	—
Current portion of long-term loans payable	11,500,000	—	—	—	—	—
Long-term loans payable	—	13,500,000	14,500,000	5,000,000	2,500,000	1,000,000
Total	17,475,000	13,500,000	14,500,000	5,000,000	2,500,000	1,000,000

Expected amount of repayments of loans after balance sheet date (as of August 31, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	5,975,000	—	—	—	—	—
Current portion of long-term loans payable	14,500,000	—	—	—	—	—
Long-term loans payable	—	10,500,000	19,500,000	2,500,000	1,000,000	—
Total	20,475,000	10,500,000	19,500,000	2,500,000	1,000,000	—

[Tax effect accounting]

(Thousands of Yen)

	Previous fiscal period (as of February 28, 2021)		Current fiscal period (as of August 31, 2021)	
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets)		(Deferred tax assets)	
	Accrued enterprise tax	10	Accrued enterprise tax	16
	Total deferred tax assets	10	Total deferred tax assets	16
	Net deferred tax assets	10	Net deferred tax assets	16
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate	31.46%	Statutory tax rate	31.46%
	(Adjustments)		(Adjustments)	
	Deductible distributions	(31.39%)	Deductible distributions	(31.43%)
	Other	0.19%	Other	0.05%
	Effective tax rate after application of tax accounting	0.26%	Effective tax rate after application of tax accounting	0.08%

[Related party transactions]

1. Parent company and major corporate unitholders, etc.

Previous fiscal period (September 1, 2020 – February 28, 2021)

Not applicable.

Current fiscal period (March 1, 2021 – August 31, 2021)

Not applicable.

2. Affiliated companies, etc.

Previous fiscal period (September 1, 2020 – February 28, 2021)

Not applicable.

Current fiscal period (March 1, 2021 – August 31, 2021)

Not applicable.

3. Sister companies, etc.

Previous fiscal period (September 1, 2020 – February 28, 2021)

Attribute	Name	Location	Capital stock (Thousands of yen)	Business or occupation	Ownership ratio of units, etc.	Nature of relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Balance at the end of the period (Thousands of yen)
						Concurrent officers, etc.	Business relationship				
Subsidiary of other related company	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	—	None	Leasing and management of real estate	Leasing of real estate	401,529	Advances received	122,415
										Tenant leasehold and security deposits	3,281,000
Subsidiary of other related company	MT&Hilton Hotel Co., Ltd.	Minato-ku, Tokyo	20,000	Hotel management	—	None	Leasing and management of real estate	Leasing of real estate	157,967	Advances received	28,907
Subsidiary of other related company	Mori Trust Asset Management Co., Ltd.	Minato-ku, Tokyo	400,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	86,429	Accounts payable	95,072

(Note 1) Consumption taxes are not included in transaction amounts but are included in the balance at the end of the period.

(Note 2) Transaction terms and policies for determining transaction terms: Transaction terms are determined taking into consideration current market prices.

Current fiscal period (March 1, 2021 – August 31, 2021)

Attribute	Name	Location	Capital stock (Thousands of yen)	Business or occupation	Ownership ratio of units, etc.	Nature of relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Balance at the end of the period (Thousands of yen)
						Concurrent officers, etc.	Business relationship				
Subsidiary of other related company	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	—	None	Leasing and management of real estate	Leasing of real estate	1,036,763	Advances received	121,967
								Tenant leasehold and security deposits		3,247,450	
								Partial transfer of real estate trust beneficiary interest	1,001,000	—	—
Subsidiary of other related company	MT&Hilton Hotel Co., Ltd.	Minato-ku, Tokyo	20,000	Hotel management	—	None	Leasing and management of real estate	Leasing of real estate	157,676	Advances received	30,757
Subsidiary of other related company	Mori Trust Asset Management Co., Ltd.	Minato-ku, Tokyo	400,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	90,462	Accounts payable	99,508

(Note 1) Consumption taxes are not included in transaction amounts but are included in the balance at the end of the period.

(Note 2) Transaction terms and policies for determining transaction terms: Transaction terms are determined taking into consideration current market prices.

4. Officers and major individual unitholders

Previous fiscal period (September 1, 2020 – February 28, 2021)

Not applicable.

Current fiscal period (March 1, 2021 – August 31, 2021)

Not applicable.

[Investment and rental properties]

MORI TRUST Hotel Reit, Inc. holds investment and rental properties for use as hotels in Tokyo and other regions. The balance sheet carrying amounts, changes during the fiscal period, and fair values of these investment and rental properties are as follows.

(Thousands of yen)

Use		Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	106,527,801	106,197,792
	Changes during period	(330,009)	(1,086,424)
	Balance at end of period	106,197,792	105,111,367
	Fair value at end of period	124,900,000	123,199,000

(Note 1) The balance sheet carrying amount is the acquisition cost less accumulated depreciation.

(Note 2) The main reason for the increase during the previous period is the capital expenditure (33,796 thousand yen), and the main reason for the decrease during the previous period is depreciation (363,805 thousand yen). The main reason for the increase during the current period is the capital expenditure (16,820 thousand yen), and the main reasons for the decrease during the current period are the partial transfer of Courtyard by Marriott Tokyo Station (738,450 thousand yen) and depreciation (364,794 thousand yen).

(Note 3) Fair value at end of period is the appraisal value provided by an independent real estate appraiser.

The profit or loss concerning investment and rental properties is indicated under “Notes to statements of income.”

[Segment information, etc.]

1. Segment information

Disclosure is omitted as MORI TRUST Hotel Reit, Inc. has only one segment, which is the real estate rental business.

2. Related information

Previous fiscal period (September 1, 2020 – February 28, 2021)

(1) Information about products and services

Disclosure is omitted as operating revenues from external customers of products and services within a single category exceeds 90% of operating revenue on the statement of income.

(2) Information about geographical area

i) Operating revenues

Disclosure is omitted since operating revenues from external customers in Japan exceeds 90% of operating revenues on the statement of income.

ii) Property and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the balance sheet.

(3) Information about major customers

(Thousands of yen)

Name	Operating revenues	Related segment
Mori Trust Co., Ltd.	401,529	Real estate rental business
MT&Hilton Hotel Co., Ltd.	157,967	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

Current fiscal period (March 1, 2021 – August 31, 2021)

(1) Information about products and services

Disclosure is omitted as operating revenues from external customers of products and services within a single category exceeds 90% of operating revenue on the statement of income.

(2) Information about geographical area

i) Operating revenues

Disclosure is omitted since operating revenues from external customers in Japan exceeds 90% of operating revenues on the statement of income.

ii) Property and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the balance sheet.

(3) Information about major customers

(Thousands of yen)

Name	Operating revenues	Related segment
Mori Trust Co., Ltd.	1,036,763	Real estate rental business
MT&Hilton Hotel Co., Ltd.	157,676	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

[Per unit information]

Previous fiscal period (September 1, 2020 – February 28, 2021)		Current fiscal period (March 1, 2021 – August 31, 2021)	
Net assets per unit	100,651yen	Net assets per unit	102,412yen
Net income per unit	650yen	Net income per unit	2,412yen
Net income per unit is calculated by dividing net income by the day-weighted average number of investment units for the period. Diluted net income per investment unit is not presented, as there is no potential investment unit.		Net income per unit is calculated by dividing net income by the day-weighted average number of investment units for the period. Diluted net income per investment unit is not presented, as there is no potential investment unit.	

(Note) The basis for calculating net income per unit is as follows:

	Previous fiscal period (September 1, 2020 – February 28, 2021)	Current fiscal period (March 1, 2021 – August 31, 2021)
Net income (Thousands of yen)	325,395	1,206,139
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	325,395	1,206,139
Average number of investment units for the period (Units)	500,000	500,000

[Significant subsequent events]

Not applicable.

(7) Supplementary schedules

i) Summary table included in the schedule of real estate, etc.

(Thousands of yen)

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Accumulated depreciation		Balance at end of period (less depreciation and amortization)	Remarks	
					or accumulated amortization	Depreciation and amortization during the period			
Property and equipment	Machinery and equipment	8,803	5,820	—	14,623	1,601	658	13,021	
	Tools, furniture and fixtures	40,322	3,448	—	43,770	10,240	2,832	33,529	
	Buildings in trust	20,598,556	6,513	141,218	20,463,851	3,310,759	359,360	17,153,091	(note)
	Structures in trust	8,590	—	140	8,450	5,142	283	3,307	(note)
	Machinery and equipment in trust	5,034	—	—	5,034	1,002	258	4,032	
	Tools, furniture and fixtures in trust	17,801	1,038	262	18,578	5,689	1,376	12,888	(note)
	Land in trust	88,512,726	—	621,409	87,891,316	—	—	87,891,316	(note)
	Subtotal	109,191,835	16,820	763,030	108,445,625	3,334,437	364,769	105,111,187	
Intangible assets	Software	3,250	—	—	3,250	2,700	325	549	
	Subtotal	3,250	—	—	3,250	2,700	325	549	
Total	109,195,085	16,820	763,030	108,448,875	3,337,138	365,094	105,111,737		

(note) The decrease in property and equipment during the period results mainly from the partial transfer of Courtyard by Marriott Tokyo Station (5.5% Quasi-Co-Ownership Interest).

ii) Schedule of borrowings

(Thousands of yen)

	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 1)	Repayment date	Repayment method	Use	Remarks
Short-term loans payable	MUFG Bank, Ltd.	975,000	—	975,000	—	0.28261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.28261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	500,000	—	500,000	—	0.28261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	500,000	—	0.28261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,500,000	—	1,500,000	—	0.27261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	1,500,000	—	0.27261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.27261%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	—	975,000	—	975,000	0.42545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.42545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	500,000	—	500,000	0.42545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	500,000	—	500,000	0.42545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	1,500,000	—	1,500,000	0.41545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	1,500,000	—	1,500,000	0.41545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.41545%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
Total	5,975,000	5,975,000	5,975,000	5,975,000						
Long-term loans payable (Note2)	Sumitomo Mitsui Trust Bank, Limited	3,000,000	—	—	3,000,000	0.49630%	Nov. 30, 2021	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	3,000,000	—	—	3,000,000	0.49630%	Nov. 30, 2021	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Development Bank of Japan Inc.	1,500,000	—	—	1,500,000	0.49630%	Nov. 30, 2021	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	2,000,000	—	—	2,000,000	0.63750%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.63750%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Development Bank of Japan Inc.	1,500,000	—	—	1,500,000	0.63750%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000	0.53250%	Nov. 30, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	500,000	—	—	500,000	0.53250%	Nov. 30, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Nippon Life Insurance Company	1,000,000	—	—	1,000,000	0.55565%	May 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	2,000,000	—	2,000,000	—	0.35158%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed	

	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 1)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable (Note2)	Mizuho Bank, Ltd.	1,000,000	—	1,000,000	—	0.35158%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	—	1,000,000	—	0.35158%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	—	—	1,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Shinkin Central Bank	1,000,000	—	—	1,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.49909%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	—	—	1,000,000	0.49909%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	1,000,000	—	—	1,000,000	0.49909%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Shinkin Central Bank	1,000,000	—	—	1,000,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Development Bank of Japan Inc.	500,000	—	—	500,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Resona Bank, Limited	500,000	—	—	500,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.36000%	Aug. 31, 2026	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	2,000,000	—	—	2,000,000	0.25750%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	5,500,000	—	—	5,500,000	0.28250%	Feb. 28, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	2,000,000	—	—	2,000,000	0.33250%	Feb. 29, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	5,000,000	—	—	5,000,000	0.35750%	Aug. 30, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.30000%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.30000%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Resona Bank, Limited	1,000,000	—	—	1,000,000	0.29000%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	2,000,000	—	2,000,000	0.45000%	Aug. 30, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
Mizuho Bank, Ltd.	—	1,000,000	—	1,000,000	0.45000%	Aug. 30, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed	
Sumitomo Mitsui Banking Corporation	—	1,000,000	—	1,000,000	0.45000%	Aug. 30, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed	
	Total	48,000,000	4,000,000	4,000,000	48,000,000					
	Grand Total	53,975,000	9,975,000	9,975,000	53,975,000					

(Note 1) The average rate for variable rates is the weighted average of the interest rate during the period.

(Note 2) Long-term loans payable include the current portion of long-term loans payable.

(Note 3) The funds are used to finance the acquisition of real estate beneficiary interests and related costs, and the repayment of loans.

(Note 4) The funds are used to finance the repayment of loans.

(Note 5) The funds are used to finance the acquisition of real estate beneficiary interests and movables attached to the hotel, and related costs.

(Note 6) The following table shows the repayment schedule of long-term loans each year during the five years from the balance sheet date.

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years
Long-term loans	14,500,000	10,500,000	19,500,000	2,500,000	1,000,000