



## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of MORI TRUST Hotel Reit, Inc., which comprise the balance sheets as at February 28, 2018 and August 31, 2018, and the statements of income, statements of changes in net assets, statements of cash distributions and statements of cash flows for the six months ended February 28, 2018 and August 31, 2018, and the notes to financial statements, and the supplementary schedules.

### **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 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of MORI TRUST Hotel Reit, Inc. as at February 28, 2018 and August 31, 2018, and their financial performance and cash flows for the six months ended February 28, 2018 and August 31, 2018 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

December 14, 2018  
Tokyo, Japan

**Asset Management Report**  
**MORI TRUST Hotel Reit, Inc.**  
**5th Fiscal Period**  
(March 1, 2018 – August 31, 2018)

**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, 2018)	Current fiscal period (as of August 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	3,207,724	3,541,621
Cash and deposits in trust	1,513,001	1,664,811
Prepaid expenses	5,770	1,324
Deferred tax assets	12	19
Total current assets	4,726,509	5,207,777
Non-current assets		
Property and equipment		
Buildings in trust	16,819,776	16,819,776
Accumulated depreciation	(965,456)	(1,277,115)
Buildings in trust, net	15,854,320	15,542,660
Structures in trust	5,640	5,640
Accumulated depreciation	(2,454)	(3,154)
Structures in trust, net	3,185	2,486
Tools, furniture and fixtures in trust	—	4,522
Accumulated depreciation	—	(64)
Tools, furniture and fixtures in trust, net	—	4,457
Land in trust	85,644,447	85,644,447
Total property and equipment	101,501,953	101,194,052
Intangible assets		
Software	2,470	2,170
Total intangible assets	2,470	2,170
Investments and other assets		
Guarantee deposits	10,000	10,000
Total investments and other assets	10,000	10,000
Total non-current assets	101,514,423	101,206,222
Total assets	106,240,932	106,413,999

(Thousands of yen)

	Previous fiscal period (as of February 28, 2018)	Current fiscal period (as of August 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	3,226	115,973
Short-term loans payable	17,000,000	17,000,000
Accounts payable	111,379	108,170
Accrued expenses	37,012	37,827
Distribution payable	6,287	6,412
Income taxes payable	868	1,001
Accrued consumption taxes	50,824	59,844
Advances received	442,504	401,907
Deposits received	827	620
Total current liabilities	17,652,931	17,731,756
Non-current liabilities		
Long-term loans payable	32,500,000	32,500,000
Tenant leasehold and security deposits	4,554,473	4,554,473
Total non-current liabilities	37,054,473	37,054,473
Total liabilities	54,707,404	54,786,229
Net assets		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	1,533,527	1,627,769
Total surplus	1,533,527	1,627,769
Total unitholders' equity	51,533,527	51,627,769
Total net assets	*1 51,533,527	*1 51,627,769
Total liabilities and net assets	106,240,932	106,413,999

## (2) Statements of income

(Thousands of yen)

	Previous fiscal period (September 1, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
Operating revenues		
Rental revenues	*1, *2 2,306,893	*1, *2 2,409,917
Total operating revenues	2,306,893	2,409,917
Operating expenses		
Rental expenses	*1, *2 543,787	*1, *2 555,316
Asset management fee	89,529	91,170
Asset custody and administrative service fees	15,208	11,959
Directors' compensations	3,600	3,600
Other operating expenses	29,334	22,796
Total operating expenses	681,459	684,843
Operating income	1,625,433	1,725,074
Non-operating income		
Interest income	22	23
Insurance income	–	28
Other	72	0
Total non-operating income	94	52
Non-operating expenses		
Interest expenses	91,198	96,387
Total non-operating expenses	91,198	96,387
Ordinary income	1,534,329	1,628,740
Income before income taxes	1,534,329	1,628,740
Income taxes - current	871	1,004
Income taxes - deferred	(4)	(6)
Total income taxes	867	998
Net income	1,533,461	1,627,741
Retained earnings brought forward	66	27
Unappropriated retained earnings	1,533,527	1,627,769

## (3) Statements of changes in net assets

Previous fiscal period (September 1, 2017 – February 28, 2018)

(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	1,535,066	1,535,066	51,535,066	51,535,066
Changes of items during period					
Distribution of retained earnings		(1,535,000)	(1,535,000)	(1,535,000)	(1,535,000)
Net income		1,533,461	1,533,461	1,533,461	1,533,461
Total changes of items during period	—	(1,538)	(1,538)	(1,538)	(1,538)
Balance at end of current period	*1 50,000,000	1,533,527	1,533,527	51,533,527	51,533,527

Current fiscal period (March 1, 2018 – August 31, 2018)

(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	1,533,527	1,533,527	51,533,527	51,533,527
Changes of items during period					
Distribution of retained earnings		(1,533,500)	(1,533,500)	(1,533,500)	(1,533,500)
Net income		1,627,741	1,627,741	1,627,741	1,627,741
Total changes of items during period	—	94,241	94,241	94,241	94,241
Balance at end of current period	*1 50,000,000	1,627,769	1,627,769	51,627,769	51,627,769

## (4) Statements of cash distributions

(yen)

	Previous fiscal period (September 1, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
I. Unappropriated retained earnings	1,533,527,965	1,627,769,806
II. Distributions (Distributions per unit)	1,533,500,000 (3,067)	1,627,500,000 (3,255)
III. Retained earnings brought forward	27,965	269,806
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 ¥1,533,500,000, 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 ¥1,627,500,000, 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.

## (5) Statements of cash flows

(Thousands of yen)

	Previous fiscal period (September 1, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
Cash flows from operating activities		
Income before income taxes	1,534,329	1,628,740
Depreciation	312,638	312,723
Interest income	(22)	(23)
Interest expenses	91,198	96,387
Decrease (increase) in prepaid expenses	1,075	4,445
Decrease (increase) in long-term prepaid expenses	237	—
Increase (decrease) in operating accounts payable	(104,524)	110,560
Increase (decrease) in accounts payable	(3,077)	(3,208)
Increase (decrease) in accrued consumption taxes	(102,928)	9,019
Increase (decrease) in advances received	35,928	(40,597)
Other, net	616	(207)
Subtotal	1,765,471	2,117,838
Interest income received	22	23
Interest expenses paid	(86,320)	(95,572)
Income taxes paid	(784)	(872)
Net cash provided by operating activities	1,678,389	2,021,417
Cash flows from investing activities		
Purchase of property and equipment in trust	(7,349)	(2,335)
Purchase of intangible assets	(1,200)	—
Net cash used in investing activities	(8,549)	(2,335)
Cash flows from financing activities		
Proceeds from short-term loans payable	17,000,000	—
Repayments of short-term loans payable	(22,000,000)	—
Proceeds from long-term loans payable	5,000,000	—
Distributions paid	(1,534,065)	(1,533,375)
Net cash used in financing activities	(1,534,065)	(1,533,375)
Net increase in cash and cash equivalents	135,774	485,707
Cash and cash equivalents at beginning of period	4,584,951	4,720,725
Cash and cash equivalents at end of period	*1 4,720,725	*1 5,206,433



## (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: Buildings in trust                   7 to 72 years Structures in trust                   2 to 7 years Tools, furniture and fixtures in trust       5 to 8 years</p> <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>
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: (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.</p>
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. (1) Cash and deposits in trust (2) Buildings in trust, structures in trust, tools, furniture and fixtures in trust, and land in trust</p>
5. Accounting treatment of consumption taxes, etc.	<p>Consumption taxes and local consumption taxes are accounted for by the taxes exclusion method.</p>

## [Notes to Balance Sheets]

	Previous fiscal period (as of February 28, 2018)	Current fiscal period (as of August 31, 2018)
*1 Minimum net assets as provided in Article 67, paragraph 4 of the Investment Trust Law	50,000 thousand yen	50,000 thousand yen

[Notes to Statements of income]

(Thousands of yen)

	Previous fiscal period (September 1, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
*1 Breakdown of real estate rental income	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,306,893</p> <p>Total real estate rental revenues 2,306,893</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 224,230</p> <p>Insurance expenses 3,118</p> <p>Repairs and maintenance expenses 3,300</p> <p>Depreciation 312,338</p> <p>Other rental expenses 800</p> <p>Total real estate rental expenses 543,787</p> <p>C. Real estate rental income (A – B) 1,763,106</p>	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,409,917</p> <p>Total real estate rental revenues 2,409,917</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 236,321</p> <p>Insurance expenses 3,166</p> <p>Repairs and maintenance expenses 2,605</p> <p>Depreciation 312,423</p> <p>Other rental expenses 800</p> <p>Total real estate rental expenses 555,316</p> <p>C. Real estate rental income (A – B) 1,854,601</p>
*2 Transactions with major unit holders	<p>Revenue and expenses attributable to operating transactions</p> <p>Operating revenues 1,654,556</p> <p>Operating expenses 3,300</p>	<p>Revenue and expenses attributable to operating transactions</p> <p>Operating revenues 1,757,581</p> <p>Operating expenses 2,605</p>

[Notes to Statements of changes in net assets]

	Previous fiscal period (September 1, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
*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, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	<p>(as of February 28, 2018)</p> <p>Cash and deposits 3,207,724</p> <p>Cash and deposits in trust 1,513,001</p> <p>Cash and cash equivalents 4,720,725</p>	<p>(as of August 31, 2018)</p> <p>Cash and deposits 3,541,621</p> <p>Cash and deposits in trust 1,664,811</p> <p>Cash and cash equivalents 5,206,433</p>

[Lease Transactions]

Operating lease transactions (Lessor)

Future lease payments

	Previous fiscal period (as of February 28, 2018)	Current fiscal period (as of August 31, 2018)
Due within 1 year	1,304,673 thousand yen	1,304,673 thousand yen
Due after 1 year	11,089,723 thousand yen	10,437,386 thousand yen
Total	12,394,396 thousand yen	11,742,060 thousand yen

[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, 2018 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).

	Balance sheet carrying amount (Thousands of yen)	Fair value (Thousands of yen)	Difference (Thousands of yen)
(1) Cash and deposits	3,207,724	3,207,724	—
(2) Cash and deposits in trust	1,513,001	1,513,001	—
Total assets	4,720,725	4,720,725	—
(1) Short-term loans payable	17,000,000	17,000,000	—
(2) Long-term loans payable	32,500,000	32,563,159	63,159
Total liabilities	49,500,000	49,563,159	63,159

Balance sheet carrying amounts, fair values, and the differences between them as of August 31, 2018 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).

	Balance sheet carrying amount (Thousands of yen)	Fair value (Thousands of yen)	Difference (Thousands of yen)
(1) Cash and deposits	3,541,621	3,541,621	—
(2) Cash and deposits in trust	1,664,811	1,664,811	—
Total assets	5,206,433	5,206,433	—
(1) Short-term loans payable	17,000,000	17,000,000	—
(2) Long-term loans payable	32,500,000	32,573,488	73,488
Total liabilities	49,500,000	49,573,488	73,488

(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) Long-term loans payable

The fair value of long-term loans payable is 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, 2018)	Current fiscal period (as of August 31, 2018)
Tenant leasehold and security deposits	4,554,473	4,554,473

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, 2018)

	Due within 1 year (Thousands of yen)	Due after 1 year through 2 years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Due after 3 years through 4 years (Thousands of yen)	Due after 4 years through 5 years (Thousands of yen)	Due after 5 years (Thousands of yen)
Cash and deposits	3,207,724	—	—	—	—	—
Cash and deposits in trust	1,513,001	—	—	—	—	—
Total	4,720,725	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of August 31, 2018)

	Due within 1 year (Thousands of yen)	Due after 1 year through 2 years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Due after 3 years through 4 years (Thousands of yen)	Due after 4 years through 5 years (Thousands of yen)	Due after 5 years (Thousands of yen)
Cash and deposits	3,541,621	—	—	—	—	—
Cash and deposits in trust	1,664,811	—	—	—	—	—
Total	5,206,433	—	—	—	—	—

(Note 4) Expected amount of repayments of loans after balance sheet date (as of February 28, 2018)

	Due within 1 year (Thousands of yen)	Due after 1 year through 2 years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Due after 3 years through 4 years (Thousands of yen)	Due after 4 years through 5 years (Thousands of yen)	Due after 5 years (Thousands of yen)
Short-term loans payable	17,000,000	—	—	—	—	—
Long-term loans payable	—	14,500,000	3,000,000	7,500,000	1,000,000	6,500,000
Total	17,000,000	14,500,000	3,000,000	7,500,000	1,000,000	6,500,000

Expected amount of repayments of loans after balance sheet date (as of August 31, 2018)

	Due within 1 year (Thousands of yen)	Due after 1 year through 2 years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Due after 3 years through 4 years (Thousands of yen)	Due after 4 years through 5 years (Thousands of yen)	Due after 5 years (Thousands of yen)
Short-term loans payable	17,000,000	—	—	—	—	—
Long-term loans payable	—	14,500,000	3,000,000	7,500,000	2,000,000	5,500,000
Total	17,000,000	14,500,000	3,000,000	7,500,000	2,000,000	5,500,000

[Tax Effect Accounting]

(Thousands of Yen)

	Previous fiscal period (as of February 28, 2018)	Current fiscal period (as of August 31, 2018)
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets)	(Deferred tax assets)
	Accrued enterprise tax	12
	Total deferred tax assets	19
	Net deferred tax assets	19
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate	31.74%
	(Adjustments)	
	Deductible distributions	(31.72%)
	Other	0.04%
Effective tax rate after application of tax accounting	0.06%	0.06%

[Related Party Transactions]

1. Parent company and major corporate unitholders, etc.

Previous fiscal period (September 1, 2017 – February 28, 2018)

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				
Major unitholder	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	32.8%	None	Major unitholder and leasing and management of real estate	Leasing of real estate	1,654,556	Advances received	328,345
										Tenant leasehold and security deposits	3,281,000

(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 transactions terms: Transaction terms are determined taking into consideration current market prices.

(Note 3) Ownership ratio of units, etc. is rounded to one decimal place.

Current fiscal period (March 1, 2018 – August 31, 2018)

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				
Major unitholder	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	32.8%	None	Major unitholder and leasing and management of real estate	Leasing of real estate	1,757,581	Advances received	287,748
										Tenant leasehold and security deposits	3,281,000

(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 transactions terms: Transaction terms are determined taking into consideration current market prices.

(Note 3) Ownership ratio of units, etc. is rounded to one decimal place.

2. Affiliated companies, etc.

Previous fiscal period (September 1, 2017 – February 28, 2018)

Not applicable.

Current fiscal period (March 1, 2018 – August 31, 2018)

Not applicable.

3. Sister companies, etc.

Previous fiscal period (September 1, 2017 – February 28, 2018)

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 major unitholder	Mori Trust Hotel Asset Management Co., Ltd.	Minato-ku, Tokyo	200,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	89,529	Accounts payable	96,692

(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 transactions terms: Transaction terms are determined taking into consideration current market prices.

Current fiscal period (March 1, 2018 – August 31, 2018)

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 major unitholder	Mori Trust Hotel Asset Management Co., Ltd.	Minato-ku, Tokyo	200,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	91,170	Accounts payable	98,464

(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 transactions terms: Transaction terms are determined taking into consideration current market prices.

#### 4. Officers and major individual unitholders

Previous fiscal period (September 1, 2017 – February 28, 2018)

Not applicable.

Current fiscal period (March 1, 2018 – August 31, 2018)

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, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	101,806,593	101,501,953
	Changes during period	(304,640)	(307,901)
	Balance at end of period	101,501,953	101,194,052
	Fair value at end of period	114,900,000	114,900,000

(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 (7,698 thousand yen), and the main reason for the decrease during the previous period is depreciation (312,338 thousand yen). The main reason for the increase during the current period is the capital expenditure (4,522 thousand yen), and the main reason for the decrease during the current period is depreciation (312,423 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, 2017 – February 28, 2018)

##### (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.	1,654,556	Real estate rental business
Sotetsu Hotel Management Co.,Ltd.	652,336	Real estate rental business

(Note) The status of the lessee and its rights and obligations for Hotel Sunroute Plaza Shinjuku has been succeeded from Sunroute Co., Ltd. to Sotetsu Hotel Management Co.,Ltd. as a result of the company split as of October 1, 2017. Operating revenues of Sotetsu Hotel Management Co., Ltd. include operating revenues of Sunroute Co., Ltd. until September 30, 2017.

Current fiscal period (March 1, 2018 – August 31, 2018)

##### (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.	1,757,581	Real estate rental business
Sotetsu Hotel Management Co.,Ltd.	652,336	Real estate rental business

[Per Unit Information]

Previous fiscal period (September 1, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
Net assets per unit 103,067yen	Net assets per unit 103,255yen
Net income per unit 3,066yen	Net income per unit 3,255yen
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, 2017 – February 28, 2018)	Current fiscal period (March 1, 2018 – August 31, 2018)
Net income (Thousands of yen)	1,533,461	1,627,741
Amount not attributable to common unitholders (Thousands of yen)	–	–
Net income attributable to common investment units (Thousands of yen)	1,533,461	1,627,741
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	Buildings in trust	16,819,776	—	—	16,819,776	1,277,115	311,659	15,542,660	
	Structures in trust	5,640	—	—	5,640	3,154	699	2,486	
	Tools, furniture and fixtures in trust	—	4,522	—	4,522	64	64	4,457	
	Land in trust	85,644,447	—	—	85,644,447	—	—	85,644,447	
	Subtotal	102,469,864	4,522	—	102,474,386	1,280,334	312,423	101,194,052	
Intangible assets	Software	3,000	—	—	3,000	830	300	2,170	
	Subtotal	3,000	—	—	3,000	830	300	2,170	
Total	102,472,864	4,522	—	102,477,386	1,281,164	312,723	101,196,222		

## 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	Sumitomo Mitsui Trust Bank, Limited	4,500,000	—	—	4,500,000	0.25426%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd. (Note 4)	4,500,000	—	—	4,500,000	0.25426%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	3,500,000	—	—	3,500,000	0.25426%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	3,500,000	—	—	3,500,000	0.25426%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Shinkin Central Bank	1,000,000	—	—	1,000,000	0.25426%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Total	17,000,000	—	—	17,000,000					
Long-term loans payable	Mizuho Bank, Ltd.	7,000,000	—	—	7,000,000	0.36750%	Nov. 29, 2019	Lump-sum payment at maturity	(Note 2)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	5,500,000	—	—	5,500,000	0.36750%	Nov. 29, 2019	Lump-sum payment at maturity	(Note 2)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	2,000,000	—	—	2,000,000	0.36750%	Nov. 29, 2019	Lump-sum payment at maturity	(Note 2)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	3,000,000	—	—	3,000,000	0.49630%	Nov. 30, 2021	Lump-sum payment at maturity	(Note 2)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd. (Note 4)	3,000,000	—	—	3,000,000	0.49630%	Nov. 30, 2021	Lump-sum payment at maturity	(Note 2)	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 2)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	2,000,000	—	—	2,000,000	0.63750%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 2)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.63750%	Nov. 30, 2023	Lump-sum payment at maturity	(Note 2)	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 2)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.38750%	Nov. 30, 2020	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.38750%	Nov. 30, 2020	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed	



Resona Bank, Limited	1,000,000	—	—	1,000,000	0.37750%	Nov. 30, 2020	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 3)	Unsecured /Non-guaranteed
MUFG Bank, Ltd. (Note 4)	500,000	—	—	500,000	0.53250%	Nov. 30, 2022	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
Nippon Life Insurance Company	1,000,000	—	—	1,000,000	0.55565%	May 31, 2023	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
Total	32,500,000	—	—	32,500,000					
Grand Total	49,500,000	—	—	49,500,000					

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

(Note 2) The funds are used to finance the acquisition of real estate beneficiary interests and related costs, and the repayment of loans.

(Note 3) The funds are used to finance the repayment of loans.

(Note 4) MUFG Bank, Ltd. succeeded Mitsubishi UFJ Trust and Banking Corporation's position as lender upon the transfer of Mitsubishi UFJ Trust and Banking Corporation's corporate - loan - related businesses to MUFG Bank, Ltd., effective April 16, 2018.

(Note 5) The following table shows the repayment schedule of long-term loans (excluding those due within one year) each year during the five years from the balance sheet date.

	(Thousands of yen)			
	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	3,000,000	7,500,000	2,000,000