



## 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 29, 2020 and August 31, 2020, the statements of income, 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 29, 2020 and August 31, 2020, and its financial performance and 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 including 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.

道丹久男 

Hisao Dotan

Designated Engagement Partner

Certified Public Accountant

小林英之 

Hideyuki Kobayashi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

December 11, 2020

**Asset Management Report**  
**MORI TRUST Hotel Reit, Inc.**  
**9th Fiscal Period**  
(March 1, 2020 – August 31, 2020)

**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 29, 2020)	Current fiscal period (as of August 31, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,687,017	2,677,922
Cash and deposits in trust	1,757,712	776,211
Operating accounts receivable	—	1,752
Consumption taxes receivable	169,524	—
Prepaid expenses	7,273	1,381
<b>Total current assets</b>	<b>4,621,527</b>	<b>3,457,268</b>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Machinery and equipment	—	7,645
Accumulated depreciation	—	(401)
<b>Machinery and equipment, net</b>	<b>—</b>	<b>7,243</b>
Tools, furniture and fixtures	37,281	37,281
Accumulated depreciation	(2,378)	(4,854)
<b>Tools, furniture and fixtures, net</b>	<b>34,902</b>	<b>32,426</b>
Buildings in trust	20,567,442	20,570,910
Accumulated depreciation	(2,258,587)	(2,616,842)
<b>Buildings in trust, net</b>	<b>18,308,854</b>	<b>17,954,068</b>
Structures in trust	8,590	8,590
Accumulated depreciation	(4,392)	(4,676)
<b>Structures in trust, net</b>	<b>4,197</b>	<b>3,914</b>
Machinery and equipment in trust	4,545	5,034
Accumulated depreciation	(233)	(486)
<b>Machinery and equipment in trust, net</b>	<b>4,311</b>	<b>4,548</b>
Tools, furniture and fixtures in trust	15,851	15,851
Accumulated depreciation	(2,045)	(3,205)
<b>Tools, furniture and fixtures in trust, net</b>	<b>13,806</b>	<b>12,645</b>
Land in trust	88,512,726	88,512,726
<b>Total property and equipment</b>	<b>106,878,798</b>	<b>106,527,572</b>
<b>Intangible assets</b>		
Software	1,270	1,199
<b>Total intangible assets</b>	<b>1,270</b>	<b>1,199</b>
<b>Investments and other assets</b>		
Guarantee deposits	10,000	10,000
Deferred tax assets	6	18
<b>Total investments and other assets</b>	<b>10,006</b>	<b>10,018</b>
<b>Total non-current assets</b>	<b>106,890,075</b>	<b>106,538,789</b>
<b>Total assets</b>	<b>111,511,602</b>	<b>109,996,057</b>

(Thousands of yen)

	Previous fiscal period (as of February 29, 2020)	Current fiscal period (as of August 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	28,137	112,356
Short-term loans payable	6,500,000	5,975,000
Current portion of long-term loans payable	3,000,000	7,000,000
Accounts payable	109,620	112,319
Accrued expenses	48,634	49,592
Distribution payable	5,768	3,383
Income taxes payable	732	979
Accrued consumption taxes	—	130,209
Advances received	482,072	176,435
Deposits received	623	582
Total current liabilities	10,175,589	13,560,859
Non-current liabilities		
Long-term loans payable	45,000,000	41,000,000
Tenant leasehold and security deposits	4,554,473	4,554,473
Other non-current liabilities	18	9
Total non-current liabilities	49,554,491	45,554,483
Total liabilities	59,730,080	59,115,342
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	1,781,521	880,715
Total surplus	1,781,521	880,715
Total unitholders' equity	51,781,521	50,880,715
Total net assets	*1 51,781,521	*1 50,880,715
Total liabilities and net assets	111,511,602	109,996,057

## (2) Statements of income

(Thousands of yen)

	Previous fiscal period (September 1, 2019 – February 29, 2020)		Current fiscal period (March 1, 2020 – August 31, 2020)	
<b>Operating revenues</b>				
Rental revenues	*1	2,627,967	*1	1,768,455
Other rental revenues	*1	2,224	*1	2,264
Total operating revenues		2,630,192		1,770,720
<b>Operating expenses</b>				
Rental expenses	*1	606,025	*1	651,187
Asset management fee		90,041		91,733
Asset custody and administrative service fees		12,207		12,370
Directors' compensations		3,600		3,600
Other operating expenses		25,414		23,751
Total operating expenses		737,288		782,642
Operating income		1,892,904		988,077
<b>Non-operating income</b>				
Interest income		19		21
Reversal of distributions payable		—		2,830
Interest on refund		—		616
Other		0		40
Total non-operating income		19		3,507
<b>Non-operating expenses</b>				
Interest expenses		110,964		109,919
Total non-operating expenses		110,964		109,919
Ordinary income		1,781,959		881,665
Income before income taxes		1,781,959		881,665
Income taxes - current		734		983
Income taxes - deferred		14		(11)
Total income taxes		749		971
Net income		1,781,210		880,694
Retained earnings brought forward		311		21
Unappropriated retained earnings		1,781,521		880,715

## (3) Statements of changes in net assets

Previous fiscal period (September 1, 2019 – February 29, 2020)

(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	1,609,811	1,609,811	51,609,811	51,609,811
Changes of items during period					
Distribution of retained earnings		(1,609,500)	(1,609,500)	(1,609,500)	(1,609,500)
Net income		1,781,210	1,781,210	1,781,210	1,781,210
Total changes of items during period	—	171,710	171,710	171,710	171,710
Balance at end of current period	*1 50,000,000	1,781,521	1,781,521	51,781,521	51,781,521

Current fiscal period (March 1, 2020 – August 31, 2020)

(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	1,781,521	1,781,521	51,781,521	51,781,521
Changes of items during period					
Distribution of retained earnings		(1,781,500)	(1,781,500)	(1,781,500)	(1,781,500)
Net income		880,694	880,694	880,694	880,694
Total changes of items during period	—	(900,805)	(900,805)	(900,805)	(900,805)
Balance at end of current period	*1 50,000,000	880,715	880,715	50,880,715	50,880,715



## (4) Statements of cash distributions

(yen)

	Previous fiscal period (September 1, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
I. Unappropriated retained earnings	1,781,521,630	880,715,669
II. Distributions (Distributions per unit)	1,781,500,000 (3,563)	880,500,000 (1,761)
III. Retained earnings brought forward	21,630	215,669
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 ¥1,781,500,000, 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 ¥880,500,000, 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, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,781,959	881,665
Depreciation	361,512	363,150
Interest income	(19)	(21)
Interest expenses	110,964	109,919
Decrease (increase) in operating accounts receivable	—	(1,752)
Decrease (increase) in consumption taxes receivable	(169,524)	169,524
Decrease (increase) in prepaid expenses	2,105	5,891
Decrease (increase) in long-term prepaid expenses	240	—
Increase (decrease) in operating accounts payable	(109,481)	109,330
Increase (decrease) in accounts payable	(2,084)	2,698
Increase (decrease) in accrued consumption taxes	(78,733)	130,209
Increase (decrease) in advances received	69,308	(305,636)
Other, net	(109)	(2,879)
<b>Subtotal</b>	<b>1,966,139</b>	<b>1,462,099</b>
Interest income received	19	21
Interest expenses paid	(112,912)	(108,961)
Income taxes paid	(1,030)	(735)
<b>Net cash provided by operating activities</b>	<b>1,852,215</b>	<b>1,352,423</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(33,771)	(7,645)
Purchase of property and equipment in trust	(5,899,155)	(29,069)
Purchase of intangible assets	—	(250)
<b>Net cash used in investing activities</b>	<b>(5,932,926)</b>	<b>(36,964)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	3,500,000	5,975,000
Repayments of short-term loans payable	—	(6,500,000)
Proceeds from long-term loans payable	18,000,000	—
Repayments of long-term loans payable	(14,500,000)	—
Distributions paid	(1,609,872)	(1,781,055)
<b>Net cash provided by (used in) financing activities</b>	<b>5,390,127</b>	<b>(2,306,055)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,309,416</b>	<b>(990,595)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,135,313</b>	<b>4,444,729</b>
<b>Cash and cash equivalents at end of period</b>	<b>*1 4,444,729</b>	<b>*1 3,454,134</b>

## (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 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>4 to 10 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 10 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 years	Tools, furniture and fixtures	4 to 10 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 10 years
Machinery and equipment	8 years												
Tools, furniture and fixtures	4 to 10 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 10 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. The amount equivalent to property taxes, etc. included in acquisition costs for trust beneficiary rights was ¥29,907 thousand for the previous fiscal period. Not applicable for 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"> <li>(1) cash on hand and cash in trust;</li> <li>(2) deposits and deposits in trust that can be withdrawn at any time; and</li> <li>(3) short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months of the date of acquisition.</li> </ol>												
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"> <li>(1) Cash and deposits in trust</li> <li>(2) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and land in trust</li> </ol>												
5. Accounting treatment of consumption taxes, etc.	<p>Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.</p>												

## [Additional Information]

Impact related to the spread of the novel coronavirus (COVID-19)

Although the state of emergency by the government was lifted in May 2020, demand by hotel services for domestic and foreign tourists, business guests, banquets, etc. is still weak due to the worldwide spread of the novel coronavirus (COVID-19).

Under such circumstances, in the course of real estate rental business of MORI TRUST Hotel Reit, Inc., 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 based on assumptions that impact by COVID-19 will continue through fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021) 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 29, 2020)	Current fiscal period (as of August 31, 2020)
*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, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
*1 Breakdown of real estate rental income	A. Real estate rental revenues	A. Real estate rental revenues
	Rental revenues	Rental revenues
	Rent 2,627,967	Rent 1,768,455
	Other rental revenues	Other rental revenues
	Others 2,224	Others 2,264
	Total real estate rental revenues 2,630,192	Total real estate rental revenues 1,770,720
	B. Real estate rental expenses	B. Real estate rental expenses
	Rental expenses	Rental expenses
	Property and other taxes 235,291	Property and other taxes 280,361
	Insurance expenses 4,592	Insurance expenses 4,578
	Repairs and maintenance expenses 3,980	Repairs and maintenance expenses 2,447
	Depreciation 361,212	Depreciation 362,850
	Other rental expenses 948	Other rental expenses 950
Total real estate rental expenses 606,025	Total real estate rental expenses 651,187	
C. Real estate rental income (A – B) 2,024,167	C. Real estate rental income (A – B) 1,119,533	

[Notes to Statements of changes in net assets]

	Previous fiscal period (September 1, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
*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, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	(as of February 29, 2020)	(as of August 31, 2020)
	Cash and deposits 2,687,017	Cash and deposits 2,677,922
	Cash and deposits in trust 1,757,712	Cash and deposits in trust 776,211
	Cash and cash equivalents 4,444,729	Cash and cash equivalents 3,454,134

[Lease Transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of February 29, 2020)	Current fiscal period (as of August 31, 2020)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	8,480,376	7,828,040
Total	9,785,050	9,132,713

[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 29, 2020 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	2,687,017	2,687,017	—
(2) Cash and deposits in trust	1,757,712	1,757,712	—
Total assets	4,444,729	4,444,729	—
(1) Short-term loans payable	6,500,000	6,500,000	—
(2) Current portion of long-term loans payable	3,000,000	3,005,653	5,653
(3) Long-term loans payable	45,000,000	45,350,509	350,509
Total liabilities	54,500,000	54,856,163	356,163

Balance sheet carrying amounts, fair values, and the differences between them as of August 31, 2020 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	2,677,922	2,677,922	—
(2) Cash and deposits in trust	776,211	776,211	—
Total assets	3,454,134	3,454,134	—
(1) Short-term loans payable	5,975,000	5,975,000	—
(2) Current portion of long-term loans payable	7,000,000	7,008,112	8,112
(3) Long-term loans payable	41,000,000	41,142,377	142,377
Total liabilities	53,975,000	54,125,489	150,489

(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 29, 2020)	Current fiscal period (as of August 31, 2020)
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 29, 2020)

(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	2,687,017	—	—	—	—	—
Cash and deposits in trust	1,757,712	—	—	—	—	—
Total	4,444,729	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of August 31, 2020)

(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	2,677,922	—	—	—	—	—
Cash and deposits in trust	776,211	—	—	—	—	—
Total	3,454,134	—	—	—	—	—

(Note 4) Expected amount of repayments of loans after balance sheet date (as of February 29, 2020)

(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	6,500,000	—	—	—	—	—
Current portion of long-term loans payable	3,000,000	—	—	—	—	—
Long-term loans payable	—	11,500,000	13,500,000	11,500,000	5,000,000	3,500,000
Total	9,500,000	11,500,000	13,500,000	11,500,000	5,000,000	3,500,000

Expected amount of repayments of loans after balance sheet date (as of August 31, 2020)

(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	7,000,000	—	—	—	—	—
Long-term loans payable	—	14,500,000	10,500,000	12,500,000	2,500,000	1,000,000
Total	12,975,000	14,500,000	10,500,000	12,500,000	2,500,000	1,000,000

## [Tax Effect Accounting]

(Thousands of Yen)

	Previous fiscal period (as of February 29, 2020)	Current fiscal period (as of August 31, 2020)
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets)	(Deferred tax assets)
	Accrued enterprise tax	6
	Total deferred tax assets	18
	Net deferred tax assets	18
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate	31.51%
	(Adjustments)	
	Deductible distributions	(31.50%)
	Other	0.03%
Effective tax rate after application of tax accounting	0.04%	0.11%

[Related Party Transactions]

1. Parent company and major corporate unitholders, etc.

Previous fiscal period (September 1, 2019 – February 29, 2020)

Not applicable.

Current fiscal period (March 1, 2020 – August 31, 2020)

Not applicable.

2. Affiliated companies, etc.

Previous fiscal period (September 1, 2019 – February 29, 2020)

Not applicable.

Current fiscal period (March 1, 2020 – August 31, 2020)

Not applicable.

3. Sister companies, etc.

Previous fiscal period (September 1, 2019 – February 29, 2020)

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	1,774,474	Advances received	330,497
										Tenant leasehold and security deposits	3,281,000
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	90,041	Accounts payable	99,045

(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, 2020 – August 31, 2020)

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	914,200	Advances received	33,272
										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	201,918	Advances received	28,960
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	91,733	Accounts payable	100,906

(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, 2019 – February 29, 2020)

Not applicable.

Current fiscal period (March 1, 2020 – August 31, 2020)

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, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	100,602,947	106,878,798
	Changes during period	6,275,851	(350,997)
	Balance at end of period	106,878,798	106,527,801
	Fair value at end of period	128,050,000	124,750,000

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

(Note 2) The main reasons for the increase during the previous period are the acquisition of Hilton Odawara Resort & Spa (6,596,875 thousand yen) and the capital expenditure (40,187 thousand yen), and the main reason for the decrease during the previous period is depreciation (361,212 thousand yen). The main reason for the increase during the current period is the capital expenditure (11,852 thousand yen), and the main reason for the decrease during the current period is depreciation (362,850 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, 2019 – February 29, 2020)

##### (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.	1,774,474	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business



Current fiscal period (March 1, 2020 – August 31, 2020)

(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.	914,200	Real estate rental business
MT&Hilton Hotel Co., Ltd.	201,918	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

[Per Unit Information]

Previous fiscal period (September 1, 2019 – February 29, 2020)		Current fiscal period (March 1, 2020 – August 31, 2020)	
Net assets per unit	103,563yen	Net assets per unit	101,761yen
Net income per unit	3,562yen	Net income per unit	1,761yen
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, 2019 – February 29, 2020)	Current fiscal period (March 1, 2020 – August 31, 2020)
Net income (Thousands of yen)	1,781,210	880,694
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	1,781,210	880,694
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	—	7,645	—	7,645	401	401	7,243	
	Tools, furniture and fixtures	37,281	—	—	37,281	4,854	2,475	32,426	
	Buildings in trust	20,567,442	3,468	—	20,570,910	2,616,842	358,255	17,954,068	
	Structures in trust	8,590	—	—	8,590	4,676	283	3,914	
	Machinery and equipment in trust	4,545	489	—	5,034	486	252	4,548	
	Tools, furniture and fixtures in trust	15,851	—	—	15,851	3,205	1,160	12,645	
	Land in trust	88,512,726	—	—	88,512,726	—	—	88,512,726	
	Subtotal	109,146,436	11,602	—	109,158,039	2,630,467	362,829	106,527,572	
Intangible assets	Software	3,000	250	—	3,250	2,050	320	1,199	
	Subtotal	3,000	250	—	3,250	2,050	320	1,199	
Total	109,149,436	11,852	—	109,161,289	2,632,517	363,150	106,528,771		

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.	1,500,000	—	1,500,000	—	0.26260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.26260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	500,000	—	500,000	—	0.26260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	500,000	—	0.26260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,500,000	—	1,500,000	—	0.25260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	1,500,000	—	0.25260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.25260%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	—	975,000	—	975,000	0.25000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.25000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	500,000	—	500,000	0.25000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	500,000	—	500,000	0.25000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	1,500,000	—	1,500,000	0.24000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	1,500,000	—	1,500,000	0.24000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.24000%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Total	6,500,000	5,975,000	6,500,000	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
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.38750%	Nov. 30, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.38750%	Nov. 30, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Resona Bank, Limited	1,000,000	—	—	1,000,000	0.37750%	Nov. 30, 2020	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 (Note 2)	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
	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	
	Total	48,000,000	—	—	48,000,000					
	Grand Total	54,500,000	5,975,000	6,500,000	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	7,000,000	14,500,000	10,500,000	12,500,000	2,500,000