

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, 2022 and August 31, 2022, 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, 2022 and August 31, 2022, 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.

Emphasis of Matter

We draw attention to the note to the financial statements regarding significant subsequent events, which states execution of merger agreement between MORI TRUST Hotel Reit, Inc. and MORI TRUST Sogo Reit, Inc. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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 them 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

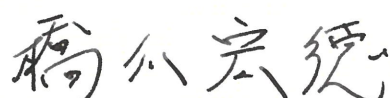
We do not have any interest in MORI TRUST Hotel Reit, Inc. which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Yukio Kumaki

Designated Engagement Partner

Certified Public Accountant



Hironori Hashizume

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

December 16, 2022

Asset Management Report
MORI TRUST Hotel Reit, Inc.
13th Fiscal Period
(March 1, 2022 – August 31, 2022)

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, 2022)	Current fiscal period (as of August 31, 2022)
Assets		
Current assets		
Cash and deposits	3,189,330	3,900,818
Cash and deposits in trust	1,490,463	2,071,843
Operating accounts receivable	—	1,752
Consumption taxes receivable	13,684	—
Prepaid expenses	9,000	2,003
Total current assets	4,702,479	5,976,417
Non-current assets		
Property and equipment		
Machinery and equipment	14,898	14,898
Accumulated depreciation	(2,522)	(3,458)
Machinery and equipment, net	12,375	11,440
Vehicles	—	216
Accumulated depreciation	—	(13)
Vehicles, net	—	203
Tools, furniture and fixtures	47,079	59,495
Accumulated depreciation	(13,322)	(16,996)
Tools, furniture and fixtures, net	33,757	42,498
Buildings in trust	20,522,837	20,529,730
Accumulated depreciation	(3,668,723)	(4,023,117)
Buildings in trust, net	16,854,113	16,506,612
Structures in trust	8,450	10,972
Accumulated depreciation	(5,416)	(5,722)
Structures in trust, net	3,033	5,250
Machinery and equipment in trust	5,034	5,034
Accumulated depreciation	(1,261)	(1,519)
Machinery and equipment in trust, net	3,773	3,515
Tools, furniture and fixtures in trust	31,302	31,801
Accumulated depreciation	(7,304)	(9,686)
Tools, furniture and fixtures in trust, net	23,997	22,114
Land in trust	87,891,316	87,778,332
Total property and equipment	104,822,368	104,369,968
Intangible assets		
Software	254	1,337
Total intangible assets	254	1,337
Investments and other assets		
Guarantee deposits	10,000	10,000
Deferred tax assets	10	17
Total investments and other assets	10,010	10,017
Total non-current assets	104,832,633	104,381,323
Total assets	109,535,113	110,357,741

(Thousands of yen)

	Previous fiscal period (as of February 28, 2022)	Current fiscal period (as of August 31, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	31,449	134,049
Short-term loans payable	5,975,000	5,475,000
Current portion of long-term loans payable	13,500,000	10,500,000
Accounts payable	108,635	115,468
Accrued expenses	43,985	38,341
Distribution payable	3,016	2,835
Income taxes payable	827	968
Accrued consumption taxes	—	92,750
Advances received	320,266	338,430
Deposits received	331	214
Total current liabilities	19,983,512	16,698,059
Non-current liabilities		
Long-term loans payable	34,500,000	38,000,000
Tenant leasehold and security deposits	4,520,923	4,514,823
Other non-current liabilities	26	26
Total non-current liabilities	39,020,949	42,514,849
Total liabilities	59,004,462	59,212,909
Net assets		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	530,651	1,144,832
Total surplus	530,651	1,144,832
Total unitholders' equity	50,530,651	51,144,832
Total net assets	*1 50,530,651	*1 51,144,832
Total liabilities and net assets	109,535,113	110,357,741

(2) Statements of income

(Thousands of yen)

	Previous fiscal period (September 1, 2021 – February 28, 2022)		Current fiscal period (March 1, 2022 – August 31, 2022)	
Operating revenues				
Rental revenues	*1	1,420,550	*1	2,003,270
Other rental revenues	*1	3,324	*1	3,353
Gain on sale of real estate properties		—	*2	46,801
Total operating revenues		1,423,875		2,053,425
Operating expenses				
Rental expenses	*1	652,054	*1	665,259
Asset management fee		87,769		91,370
Asset custody and administrative service fees		12,018		11,822
Directors' compensations		3,600		3,600
Other operating expenses		24,047		24,014
Total operating expenses		779,489		796,066
Operating income		644,385		1,257,358
Non-operating income				
Interest income		23		23
Reversal of distributions payable		184		211
Interest on refund		—		55
Subsidy income		—		3,780
Total non-operating income		208		4,070
Non-operating expenses				
Interest expenses		113,339		115,783
Other		17		—
Total non-operating expenses		113,356		115,783
Ordinary income		531,236		1,145,645
Income before income taxes		531,236		1,145,645
Income taxes - current		830		971
Income taxes - deferred		5		(6)
Total income taxes		836		964
Net income		530,400		1,144,681
Retained earnings brought forward		250		151
Unappropriated retained earnings		530,651		1,144,832

(3) Statements of changes in net assets

Previous fiscal period (September 1, 2021 – February 28, 2022)

(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	1,206,250	1,206,250	51,206,250	51,206,250
Changes of items during period					
Distribution of retained earnings		(1,206,000)	(1,206,000)	(1,206,000)	(1,206,000)
Net income		530,400	530,400	530,400	530,400
Total changes of items during period	—	(675,599)	(675,599)	(675,599)	(675,599)
Balance at end of current period	*1 50,000,000	530,651	530,651	50,530,651	50,530,651

Current fiscal period (March 1, 2022 – August 31, 2022)

(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	530,651	530,651	50,530,651	50,530,651
Changes of items during period					
Distribution of retained earnings		(530,500)	(530,500)	(530,500)	(530,500)
Net income		1,144,681	1,144,681	1,144,681	1,144,681
Total changes of items during period	—	614,181	614,181	614,181	614,181
Balance at end of current period	*1 50,000,000	1,144,832	1,144,832	51,144,832	51,144,832

(4) Statements of cash distributions

(yen)

	Previous fiscal period (September 1, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
I. Unappropriated retained earnings	530,651,093	1,144,832,101
II. Distributions (Distributions per unit)	530,500,000 (1,061)	1,144,500,000 (2,289)
III. Retained earnings brought forward	151,093	332,101
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 ¥530,500,000, 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 ¥1,144,500,000, 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, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
Cash flows from operating activities		
Income before income taxes	531,236	1,145,645
Depreciation	364,408	367,559
Interest income	(23)	(23)
Interest expenses	113,339	115,783
Decrease (increase) in operating accounts receivable	1,752	(1,752)
Decrease (increase) in consumption taxes receivable	(13,684)	13,684
Decrease (increase) in prepaid expenses	2,490	6,997
Decrease (increase) in long-term prepaid expenses	412	–
Increase (decrease) in operating accounts payable	(109,405)	115,389
Increase (decrease) in accounts payable	(12,588)	6,833
Increase (decrease) in accrued consumption taxes	(104,734)	92,750
Increase (decrease) in advances received	53,344	18,164
Decrease in property and equipment in trust due to sale	–	133,552
Other, net	103	(325)
Subtotal	826,651	2,014,258
Interest income received	23	23
Interest expenses paid	(113,729)	(121,427)
Income taxes paid	(953)	(830)
Net cash provided by operating activities	711,992	1,892,024
Cash flows from investing activities		
Purchase of property and equipment	(4,469)	(13,019)
Purchase of property and equipment in trust	(46,493)	(48,270)
Purchase of intangible assets	–	(1,294)
Repayments of tenant leasehold and security deposits	–	(6,100)
Net cash used in investing activities	(50,962)	(68,685)
Cash flows from financing activities		
Proceeds from short-term loans payable	–	5,475,000
Repayments of short-term loans payable	–	(5,975,000)
Proceeds from long-term loans payable	7,500,000	7,500,000
Repayments of long-term loans payable	(7,500,000)	(7,000,000)
Distributions paid	(1,205,631)	(530,471)
Net cash used in financing activities	(1,205,631)	(530,471)
Net increase (decrease) in cash and cash equivalents	(544,601)	1,292,867
Cash and cash equivalents at beginning of period	5,224,396	4,679,794
Cash and cash equivalents at end of period	*1 4,679,794	*1 5,972,661

(6) Notes to financial statements

[Significant accounting policies]

<p>1. Method of depreciation of non-current assets</p>	<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: Machinery and equipment 8 to 10 years Vehicles 4 years Tools, furniture and fixtures 4 to 15 years Buildings in trust 6 to 72 years Structures in trust 2 to 20 years Machinery and equipment in trust 8 to 10 years Tools, furniture and fixtures in trust 3 to 15 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>
<p>2. Recognition of revenue and expenses</p>	<p>(1) Accounting standard for revenue The main performance obligations related to revenue generated by contracts with customers of MORI TRUST Hotel Reit, Inc. and the typical time for fulfilling such performance obligations (the typical time for recognizing revenue) is as follows Sales of real estate and other assets MORI TRUST Hotel Reit, Inc. recognizes revenue from the sale of real estate and other assets when the buyer, as the customer, obtains control of the real estate and other assets by fulfilling the delivery obligations stipulated in the contract for the sale of real estate and other assets.</p> <p>(2) 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>
<p>3. Scope of cash and cash equivalents in the statements of cash flows</p>	<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>
<p>4. Accounting treatment of trust beneficiary interests in real estate, etc.</p>	<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, machinery and equipment in trust, tools, furniture and fixtures in trust, and land in trust</p>

[Significant accounting estimates]

Valuation of non-current assets

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

(Thousands of yen)

	Previous fiscal period (as of and for the six-month period ended February 28, 2022)	Current fiscal period (as of and for the six-month period ended August 31, 2022)
Property and equipment	104,822,368	104,369,968
Intangible assets	254	1,337
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, 2023 (from September 1, 2022 to February 28, 2023) 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, 2022)	Current fiscal period (as of August 31, 2022)
*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, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
*1 Breakdown of real estate rental income	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 1,420,550</p> <p>Other rental revenues</p> <p>Others 3,324</p> <p>Total real estate rental revenues 1,423,875</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 276,078</p> <p>Insurance expenses 5,446</p> <p>Repairs and maintenance expenses 5,400</p> <p>Depreciation 364,138</p> <p>Other rental expenses 990</p> <p>Total real estate rental expenses 652,054</p> <p>C. Real estate rental income (A – B) 771,820</p>	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,003,270</p> <p>Other rental revenues</p> <p>Others 3,353</p> <p>Total real estate rental revenues 2,006,624</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 281,767</p> <p>Insurance expenses 5,446</p> <p>Repairs and maintenance expenses 9,593</p> <p>Depreciation 367,459</p> <p>Other rental expenses 990</p> <p>Total real estate rental expenses 665,259</p> <p>C. Real estate rental income (A – B) 1,341,365</p>
*2 Breakdown of gain on sale of real estate properties	—	<p>Courtyard by Marriott Tokyo Station (1.0% Quasi-Co-Ownership Interest)</p> <p>Proceeds from sale of real estate properties 181,000</p> <p>Cost of sale of real estate properties 133,552</p> <p>Other expenses on sale 646</p> <p>Gain on sale of real estate properties 46,801</p>

[Notes to statements of changes in net assets]

	Previous fiscal period (September 1, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
*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, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	(as of February 28, 2022)	(as of August 31, 2022)
	Cash and deposits 3,189,330	Cash and deposits 3,900,818
	Cash and deposits in trust 1,490,463	Cash and deposits in trust 2,071,843
	Cash and cash equivalents 4,679,794	Cash and cash equivalents 5,972,661

[Lease transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of February 28, 2022)	Current fiscal period (as of August 31, 2022)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	5,871,030	5,218,693
Total	7,175,703	6,523,366

[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

As certain assumptions are used in calculating the fair value of financial instruments, 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, 2022 are as shown below. Notes to "Cash and deposits", "Cash and deposits in trust" and "Short-term loans payable" are omitted as these are settled with cash and within a short period of time, and thus the fair value approximates the book value. Also, as "Tenant leasehold and security deposits" are immaterial, related notes are omitted.

(Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	13,500,000	13,497,074	(2,925)
(2) Long-term loans payable	34,500,000	34,471,256	(28,743)
Total liabilities	48,000,000	47,968,331	(31,668)

Balance sheet carrying amounts, fair values, and the differences between them as of August 31, 2022 are as shown below. Notes to "Cash and deposits", "Cash and deposits in trust" and "Short-term loans payable" are omitted as these are settled with cash and within a short period of time, and thus the fair value approximates the book value. Also, as "Tenant leasehold and security deposits" are immaterial, related notes are omitted.

(Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	10,500,000	10,503,802	3,802
(2) Long-term loans payable	38,000,000	37,970,433	(29,566)
Total liabilities	48,500,000	48,474,235	(25,764)

(Note 1) Measurement of fair values of financial instruments

Liabilities

- (1) Current portion of long-term loans payable and (2) 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) Redemption schedule for monetary claims after balance sheet date (as of February 28, 2022)

(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	3,189,330	—	—	—	—	—
Cash and deposits in trust	1,490,463	—	—	—	—	—
Total	4,679,794	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of August 31, 2022)

(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	3,900,818	—	—	—	—	—
Cash and deposits in trust	2,071,843	—	—	—	—	—
Total	5,972,661	—	—	—	—	—

(Note 3) Expected amount of repayments of loans after balance sheet date (as of February 28, 2022)

(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	13,500,000	—	—	—	—	—
Long-term loans payable	—	14,500,000	16,500,000	2,500,000	1,000,000	—
Total	19,475,000	14,500,000	16,500,000	2,500,000	1,000,000	—

Expected amount of repayments of loans after balance sheet date (as of August 31, 2022)

(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	5,475,000	—	—	—	—	—
Current portion of long-term loans payable	10,500,000	—	—	—	—	—
Long-term loans payable	—	22,500,000	10,500,000	5,000,000	—	—
Total	15,975,000	22,500,000	10,500,000	5,000,000	—	—

[Tax effect accounting]

(Thousands of Yen)

	Previous fiscal period (as of February 28, 2022)	Current fiscal period (as of August 31, 2022)
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets)	(Deferred tax assets)
	Accrued enterprise tax 10	Accrued enterprise tax 17
	Total deferred tax assets 10	Total deferred tax assets 17
	Net deferred tax assets 10	Net deferred tax assets 17
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 (31.42%)	Deductible distributions (31.43%)
	Other 0.12%	Other 0.05%
Effective tax rate after application of tax accounting 0.16%	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, 2021 – February 28, 2022)

Not applicable.

Current fiscal period (March 1, 2022 – August 31, 2022)

Not applicable.

2. Affiliated companies, etc.

Previous fiscal period (September 1, 2021 – February 28, 2022)

Not applicable.

Current fiscal period (March 1, 2022 – August 31, 2022)

Not applicable.

3. Sister companies, etc.

Previous fiscal period (September 1, 2021 – February 28, 2022)

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	600,443	Advances received	176,387
										Tenant leasehold and security deposits	3,247,450
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	167,770	Advances received	29,126
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	87,769	Accounts payable	96,546

(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, 2022 – August 31, 2022)

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	1,192,063	Advances received	190,115
										Tenant leasehold and security deposits	3,241,350
								Partial transfer of real estate trust beneficiary interest	181,000	—	—
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	158,870	Advances received	33,914
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	91,370	Accounts payable	100,507

(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, 2021 – February 28, 2022)

Not applicable.

Current fiscal period (March 1, 2022 – August 31, 2022)

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, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	105,111,367	104,822,522
	Changes during period	(288,844)	(451,216)
	Balance at end of period	104,822,522	104,371,305
	Fair value at end of period	123,404,500	123,473,500

(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 (75,293 thousand yen), and the main reason for the decrease during the previous period is depreciation (364,138 thousand yen). The main reason for the increase during the current period is the capital expenditure (49,795 thousand yen), and the main reasons for the decrease during the current period are the partial transfer of Courtyard by Marriott Tokyo Station (133,552 thousand yen) and depreciation (367,459 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.”

[Revenue Recognition]

Previous fiscal period (September 1, 2021 – February 28, 2022)

Disclosure is omitted since there is no eligible revenue.

Current fiscal period (March 1, 2022 – August 31, 2022)

Information on breakdown of revenue generated from contracts with customers

For the information on breakdown of revenue generated from contracts with customers, please refer to “*2 Breakdown of gain on sale of real estate properties” in “Notes to statements of income”. The major revenue generated from contracts with customers is “Proceeds from sale of real estate properties.”

[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, 2021 – February 28, 2022)

(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.	600,443	Real estate rental business
MT&Hilton Hotel Co., Ltd.	167,770	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

Current fiscal period (March 1, 2022 – August 31, 2022)

(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.	1,238,865	Real estate rental business
MT&Hilton Hotel Co., Ltd.	158,870	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

[Per unit information]

Previous fiscal period (September 1, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
Net assets per unit 101,061yen	Net assets per unit 102,289yen
Net income per unit 1,060yen	Net income per unit 2,289yen
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, 2021 – February 28, 2022)	Current fiscal period (March 1, 2022 – August 31, 2022)
Net income (Thousands of yen)	530,400	1,144,681
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	530,400	1,144,681
Average number of investment units for the period (Units)	500,000	500,000

[Significant subsequent events]

(1) Execution of the Merger Agreement by and between MORI TRUST Hotel Reit, Inc. and MORI TRUST Sogo Reit, Inc.

MORI TRUST Hotel Reit, Inc. and MORI TRUST Sogo Reit, Inc. (“MTR”), at each investment corporation’s Board of Directors meeting held on November 22, 2022, resolved to undertake an absorption-type merger, with March 1, 2023 as the effective date, whereby MTR will be the surviving corporation and MORI TRUST Hotel Reit, Inc. will be the dissolving corporation in the merger (the “Merger”), and also executed a merger agreement (the “Merger Agreement”) on November 22, 2022.

(a) Purpose of the Merger

Each of these investment corporations has performed aiming for the medium- to long-term stabilized revenue and growth by leveraging its characteristics respectively, that is, growth potential of hotel assets for MORI TRUST Hotel Reit, Inc. and stability of office assets for MTR. However, MORI TRUST Hotel Reit, Inc. has faced an issue of how to secure stable revenue concerning its investment target, hotel assets, because a risk of revenue fluctuation has become apparent during the COVID-19 pandemic, while MTR has challenges in the future growth potential in terms of office assets, which are its main investment targets, due to decreasing opportunities for newly obtaining large-scale prime properties and declining profitability caused by moving out of tenants triggered by COVID-19. Accordingly, MORI TRUST Hotel Reit, Inc. and MTR have come to recognize an issue that they have limited opportunities for independent growth respectively. In order for MORI TRUST Hotel Reit, Inc. and MTR to mutually solve these issues and contribute to the continuous improvement of the unitholder value by creating a comprehensive REIT with offices and hotels as its core assets, which is truly equipped with asset potential, stability and growth potential, MORI TRUST Hotel Reit, Inc. and MTR agreed to start negotiation for merger and carefully proceeded with the deliberation. As a result, MORI TRUST Hotel Reit, Inc. and MTR have judged that building a portfolio equipped with stability of office assets and growth potential of hotel assets through the Merger and returning to a growth path by leveraging the sponsor support will lead to further

improvement of the unitholder value; therefore, the Merger Agreement was made and entered by and between MORI TRUST Hotel Reit, Inc. and MTR on November 22, 2022.

MORI TRUST Hotel Reit, Inc. and MTR consider that the Merger has the following significance.

i) Pursue asset potential, stability and growth potential with offices and hotels as core assets

MORI TRUST Hotel Reit, Inc. and MTR concentrated investment in high-quality assets with a focus on asset potential, which is the intrinsic value of real estate, and this investment policy will be maintained after the Merger. In addition, after the Merger, it will become possible to pursue both stability and growth potential using offices that create stable cash flow and hotels having growth potential as core assets. In addition, properties and asset types are diversified, portfolio quality will be improved as well.

ii) Maximize the use of sponsor support and return to growth path

After the Merger, sponsor support will be continuously used at the maximum level to return to growth path.

In regard to the external growth, growth of asset size will be pursued through the maximum use of sponsor support. As a part of these initiatives, an additional purchase of Kamiyacho Trust Tower from the sponsor, MORI TRUST, will be made by using the purchasing capacity created by a decrease in Loan to Value (LTV), which is one of the effects of the Merger. This additional acquisition is considered to show the sponsor's strong commitment to the investment corporation after the Merger (the "new investment corporation").

In addition, the office assets and hotel assets which are on the recovery trend from lowered revenue due to COVID-19 are of asset type expected to grow in the recovery and growth phases of the post-COVID-19 market. They are also expected to contribute to the internal growth in the future. It is considered that both external and internal growth will become a growth driver.

iii) Strong governance by sharing profit with investors

After the Merger, the same-boat investment ratio by the sponsor Mori Trust group will be 29.2%, which is one of the largest in J-REIT. This enables cooperation in consideration of both parties' growth and improvement of unitholder value from the medium- to long-term perspective. It is also planned to facilitate the cooperation system by introducing a new asset management fee system linked to profit per unit for further improvement of the linkage between unitholder values and compensation to the Asset Management Company after the Merger.

iv) Increase in market presence

After the Merger, the new investment corporation's asset size will be approx. 471.1 billion yen (ranked No.14 in J-REIT), which will improve its market presence and is expected to expand the investor base. This will result in expansion of market capitalization and improved liquidity of investment units, and is expected to increase unitholder value.

Through these four points of significance of the Merger, the new investment corporation aims to improve unitholder value based on the medium- to long-term stable management primarily using offices that generate stable cash flow and hotels with growth potential.

(Note) The asset size after the Merger is calculated by totaling the asset size of MTR and MORI TRUST Hotel Reit, Inc. The asset size of MTR is assumed to be the total of acquisition price of the properties in the portfolio as of the end of October 2022, reflecting the acquisitions and sales of the properties from November 1, 2022 to the Effective date of the Merger. The asset size of MORI TRUST Hotel Reit, Inc. is assumed to be the appraisal values of the properties as of the end of August 2022. The asset sizes of the other investment corporations are those including properties that the other investment corporations announced acquisition and sale thereof as of the end of October, 2022 (acquisition (planned) price basis). Therefore, it is not guaranteed that the new investment corporation will have asset size ranked No.14 in J-REIT as of the effective date of the Merger. In regard to the asset size after the Merger, because it is planned that MORI TRUST Hotel Reit, Inc.'s assets will be succeeded with the purchase method by MTR as the surviving corporation, the asset size will not be a simple sum of the total (scheduled) acquisition price of MTR and the appraisal values of MORI TRUST Hotel Reit, Inc. as of the end of August 2022.

(b) Form of the Merger

MTR will be the surviving corporation under an absorption-type merger and MORI TRUST Hotel Reit, Inc. will be dissolved in the Merger.

(c) Merger Ratio

MTR plans to split one investment unit into 2 investment units with February 28, 2023 as the record date for splitting the investment units and March 1, 2023 as the effective date of the split; the allocation ratio and the number of new investment units MTR will allocate and deliver are subject to the Investment Unit Split taking effect. If 0.92 MTR investment units are allocated and delivered against 1 MORI TRUST Hotel Reit, Inc. investment unit on the basis of the merger ratio before the Investment Unit Split, there will be many MORI TRUST Hotel Reit, Inc. unitholders being allocated fractions of less than one MTR investment unit. To make it possible for MORI TRUST Hotel Reit, Inc. unitholders to continue holding MTR investment units after the Merger, a split of MTR investment units will be carried out before the allocation towards MORI TRUST Hotel Reit, Inc. unitholders, in the ratio of two MTR investment units to one MTR investment unit for the purpose of delivering to all MORI TRUST Hotel Reit, Inc. unitholders at least one MTR investment unit, and for every one MORI TRUST Hotel Reit, Inc. investment unit, 1.84 MTR investment unit post- Investment Unit Split will be allocated and delivered.

(d) Money delivered due to merger

In addition to the abovementioned investment units, MTR intends to pay MORI TRUST Hotel Reit, Inc. unitholders (the unitholders stated or recorded in the final unitholders' register on the day before the effective date of the Merger (excluding MORI TRUST Hotel Reit, Inc., MTR and those MORI TRUST Hotel Reit, Inc. unitholders who have demanded the purchase of their investment units pursuant to Article 149-3 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the "Investment Trusts Act") (excluding those who have withdrawn such demand for purchase) (hereinafter referred to as the "Unitholders Subject to Allocation")), in lieu of cash distributions for the last business period of MORI TRUST Hotel Reit, Inc. which ends the day before the effective date of the Merger, the money delivered due to the Merger in the form of cash distribution based on MORI TRUST Hotel Reit, Inc.'s distributable income for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of MORI TRUST Hotel Reit, Inc.'s distributable income on the date before the effective date of the Merger by the number of issued MORI TRUST Hotel Reit, Inc. investment units on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The money delivered due to the Merger will be paid within a reasonable period from the effective date of the Merger.

(e) Summary of the most recent fiscal period(Ended September 30, 2022) of the surviving corporation(MTR)

Business	To manage assets mainly as investments in specified assets in accordance with the Investment Trusts Act and other related laws and regulations.
Operating Revenue	6,902 million yen
Net Income	3,331 million yen
Total Assets	325,909 million yen
Total liabilities	166,837 million yen
Total net assets	159,071 million yen

(f) Timing of the Merger

The effective date of the Merger is scheduled for March 1, 2023.

(2) Proposals to be submitted to the 5th General Meeting of Unitholders

MORI TRUST Hotel Reit, Inc., at investment corporation's Board of Directors meeting held on November 22, 2022, resolved to set December 8, 2022 as the record date for the 5th General Meeting of Unitholders of the Investment Corporation to be held on January 31, 2023, in order to determine the unitholders who are entitled to exercise their voting rights, and also resolved to issue a public notice. At the general meeting of unitholders, proposals for approval of the Merger Agreement, cancellation of the asset management agreement with the Asset Management Company, and changes to the Articles of Incorporation are scheduled to be submitted for discussion.

(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	14,898	—	—	14,898	3,458	935	11,440	
	Vehicles	—	216	—	216	13	13	203	
	Tools, furniture and fixtures	47,079	12,415	—	59,495	16,996	3,674	42,498	
	Buildings in trust	20,522,837	32,649	25,756	20,529,730	4,023,117	359,720	16,506,612	(note)
	Structures in trust	8,450	2,548	25	10,972	5,722	327	5,250	(note)
	Machinery and equipment in trust	5,034	—	—	5,034	1,519	258	3,515	
	Tools, furniture and fixtures in trust	31,302	670	172	31,801	9,686	2,418	22,114	(note)
	Land in trust	87,891,316	—	112,983	87,778,332	—	—	87,778,332	(note)
	Subtotal	108,520,919	48,500	138,937	108,430,482	4,060,514	367,348	104,369,968	
Intangible assets	Software	3,250	1,294	—	4,544	3,207	211	1,337	
	Subtotal	3,250	1,294	—	4,544	3,207	211	1,337	
Total		108,524,169	49,795	138,937	108,435,027	4,063,721	367,559	104,371,305	

(note) The decrease in property and equipment during the period results mainly from the partial transfer of Courtyard by Marriott Tokyo Station (1.0% 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	—	0.41821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.41821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	500,000	—	500,000	—	0.41821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	500,000	—	0.41821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,500,000	—	1,500,000	—	0.40821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	1,500,000	—	0.40821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.40821%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	—	475,000	—	475,000	0.40364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.40364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	500,000	—	500,000	0.40364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	500,000	—	500,000	0.40364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	1,500,000	—	1,500,000	0.39364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	1,500,000	—	1,500,000	0.39364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.39364%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Total	5,975,000	5,475,000	5,975,000	5,475,000					
Long-term loans payable (Note2)	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 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

	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	0.49909%	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
	MUFG Bank, Ltd.	3,000,000	—	—	3,000,000	0.52470%	Aug. 30, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	3,000,000	—	—	3,000,000	0.52750%	Nov. 29, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Development Bank of Japan Inc.	1,500,000	—	—	1,500,000	0.52750%	Nov. 29, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	—	2,000,000	—	2,000,000	0.68250%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
Shinkin Central Bank	—	1,000,000	—	1,000,000	0.68250%	Aug. 29, 2025	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)	The 77 Bank, Ltd.	—	500,000	—	500,000	0.68250%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	2,000,000	—	2,000,000	0.74528%	May 29, 2026	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	1,000,000	—	1,000,000	0.74528%	May 29, 2026	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	1,000,000	—	1,000,000	0.74528%	May 29, 2026	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Total	48,000,000	7,500,000	7,000,000	48,500,000					
Grand Total	53,975,000	12,975,000	12,975,000	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	10,500,000	22,500,000	10,500,000	5,000,000	—