



Independent Auditor's Report

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

We have audited the accompanying financial statements of MORI TRUST Hotel Reit, Inc., which comprise the balance sheets as at August 31, 2018 and February 28, 2019, and the statements of income, statements of changes in net assets, statements of cash distributions and statements of cash flows for the six months ended August 31, 2018 and February 28, 2019, and the notes to financial statements, and the supplementary schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MORI TRUST Hotel Reit, Inc. as at August 31, 2018 and February 28, 2019, and their financial performance and cash flows for the six months ended August 31, 2018 and February 28, 2019 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 14, 2019
Tokyo, Japan

Asset Management Report
MORI TRUST Hotel Reit, Inc.
6th Fiscal Period
(September 1, 2018 – February 28, 2019)

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 August 31, 2018)	Current fiscal period (as of February 28, 2019)
Assets		
Current assets		
Cash and deposits	3,541,621	2,768,677
Cash and deposits in trust	1,664,811	1,543,576
Prepaid expenses	1,324	8,364
Total current assets	5,207,758	4,320,619
Non-current assets		
Property and equipment		
Buildings in trust	16,819,776	16,825,096
Accumulated depreciation	(1,277,115)	(1,588,817)
Buildings in trust, net	15,542,660	15,236,278
Structures in trust	5,640	5,640
Accumulated depreciation	(3,154)	(3,675)
Structures in trust, net	2,486	1,964
Tools, furniture and fixtures in trust	4,522	4,522
Accumulated depreciation	(64)	(377)
Tools, furniture and fixtures in trust, net	4,457	4,144
Land in trust	85,644,447	85,644,447
Construction in progress in trust	—	34,560
Total property and equipment	101,194,052	100,921,396
Intangible assets		
Software	2,170	1,870
Total intangible assets	2,170	1,870
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	—	3,131
Deferred tax assets	19	7
Total investments and other assets	10,019	13,138
Total non-current assets	101,206,241	100,936,404
Total assets	106,413,999	105,257,024

(Thousands of yen)

	Previous fiscal period (as of August 31, 2018)	Current fiscal period (as of February 28, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	115,973	3,644
Short-term loans payable	17,000,000	4,000,000
Current portion of long-term loans payable	—	14,500,000
Accounts payable	108,170	106,388
Accrued expenses	37,827	49,479
Distribution payable	6,412	5,779
Income taxes payable	1,001	752
Accrued consumption taxes	59,844	47,009
Advances received	401,907	443,857
Deposits received	620	620
Total current liabilities	17,731,756	19,157,531
Non-current liabilities		
Long-term loans payable	32,500,000	30,000,000
Tenant leasehold and security deposits	4,554,473	4,554,473
Total non-current liabilities	37,054,473	34,554,473
Total liabilities	54,786,229	53,712,004
Net assets		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	1,627,769	1,545,019
Total surplus	1,627,769	1,545,019
Total unitholders' equity	51,627,769	51,545,019
Total net assets	*1 51,627,769	*1 51,545,019
Total liabilities and net assets	106,413,999	105,257,024

(2) Statements of income

(Thousands of yen)

	Previous fiscal period (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
Operating revenues		
Rental revenues	*1, *2 2,409,917	*1, *2 2,322,005
Total operating revenues	2,409,917	2,322,005
Operating expenses		
Rental expenses	*1, *2 555,316	*1, *2 546,113
Asset management fee	91,170	89,596
Asset custody and administrative service fees	11,959	11,735
Directors' compensations	3,600	3,600
Other operating expenses	22,796	26,191
Total operating expenses	684,843	677,237
Operating income	1,725,074	1,644,767
Non-operating income		
Interest income	23	22
Insurance income	28	358
Other	0	0
Total non-operating income	52	380
Non-operating expenses		
Interest expenses	96,387	99,630
Total non-operating expenses	96,387	99,630
Ordinary income	1,628,740	1,545,517
Income before income taxes	1,628,740	1,545,517
Income taxes - current	1,004	755
Income taxes - deferred	(6)	11
Total income taxes	998	767
Net income	1,627,741	1,544,749
Retained earnings brought forward	27	269
Unappropriated retained earnings	1,627,769	1,545,019

(3) Statements of changes in net assets

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

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of current period	50,000,000	1,533,527	1,533,527	51,533,527	51,533,527
Changes of items during period					
Distribution of retained earnings		(1,533,500)	(1,533,500)	(1,533,500)	(1,533,500)
Net income		1,627,741	1,627,741	1,627,741	1,627,741
Total changes of items during period	—	94,241	94,241	94,241	94,241
Balance at end of current period	*1 50,000,000	1,627,769	1,627,769	51,627,769	51,627,769

Current fiscal period (September 1, 2018 – February 28, 2019)

(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	1,627,769	1,627,769	51,627,769	51,627,769
Changes of items during period					
Distribution of retained earnings		(1,627,500)	(1,627,500)	(1,627,500)	(1,627,500)
Net income		1,544,749	1,544,749	1,544,749	1,544,749
Total changes of items during period		(82,750)	(82,750)	(82,750)	(82,750)
Balance at end of current period	*1 50,000,000	1,545,019	1,545,019	51,545,019	51,545,019

(4) Statements of cash distributions

(yen)

	Previous fiscal period (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
I. Unappropriated retained earnings	1,627,769,806	1,545,019,686
II. Distributions (Distributions per unit)	1,627,500,000 (3,255)	1,545,000,000 (3,090)
III. Retained earnings brought forward	269,806	19,686
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 ¥1,627,500,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 500,000, which is the number of investment units issued and outstanding.	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 ¥1,545,000,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 500,000, which is the number of investment units issued and outstanding.

(5) Statements of cash flows

(Thousands of yen)

	Previous fiscal period (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
Cash flows from operating activities		
Income before income taxes	1,628,740	1,545,517
Depreciation	312,723	312,836
Interest income	(23)	(22)
Interest expenses	96,387	99,630
Decrease (increase) in prepaid expenses	4,445	(7,040)
Decrease (increase) in long-term prepaid expenses	—	(3,131)
Increase (decrease) in operating accounts payable	110,560	(111,799)
Increase (decrease) in accounts payable	(3,208)	(1,781)
Increase (decrease) in accrued consumption taxes	9,019	(12,834)
Increase (decrease) in advances received	(40,597)	41,950
Other, net	(207)	0
Subtotal	2,117,838	1,863,324
Interest income received	23	22
Interest expenses paid	(95,572)	(87,978)
Income taxes paid	(872)	(1,004)
Net cash provided by operating activities	2,021,417	1,774,363
Cash flows from investing activities		
Purchase of property and equipment in trust	(2,335)	(40,409)
Net cash used in investing activities	(2,335)	(40,409)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	4,000,000
Repayments of short-term loans payable	—	(17,000,000)
Proceeds from long-term loans payable	—	12,000,000
Distributions paid	(1,533,375)	(1,628,132)
Net cash used in financing activities	(1,533,375)	(2,628,132)
Net increase in cash and cash equivalents	485,707	(894,178)
Cash and cash equivalents at beginning of period	4,720,725	5,206,433
Cash and cash equivalents at end of period	*1 5,206,433	*1 4,312,254

(6) Notes to financial statements

[Significant accounting policies]

1. Method of depreciation of non-current assets	<p>(1) Property and equipment (including trust accounts) The straight-line method is used. The useful lives of major property and equipment components are as follows: Buildings in trust 7 to 72 years Structures in trust 2 to 7 years Tools, furniture and fixtures in trust 5 to 8 years</p> <p>(2) Intangible assets The straight-line method is used. Internal-use software are amortized by the straight-line method over their useful lives (5 years).</p>
2. Recognition of revenue and expenses	<p>Accounting treatment of property tax, etc. For property taxes, city planning taxes, depreciable assets taxes, etc., for real estate held, the amount of tax levied corresponding to the relevant accounting period is recorded as rental expenses. The amount equivalent to property taxes, etc. to be paid by MORI TRUST Hotel Reit, Inc. in the first year for acquisition of trust beneficiary rights in real estate is not recorded as expenses but included in the acquisition costs for the related trust beneficiary rights. No property taxes, etc. were included in acquisition costs for trust beneficiary rights for the previous fiscal period and the current fiscal period.</p>
3. Scope of cash and cash equivalents in the statements of cash flows	<p>Cash and cash equivalents in the statements of cash flows include the following: (1) cash on hand and cash in trust; (2) deposits and deposits in trust that can be withdrawn at any time; and (3) short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months of the date of acquisition.</p>
4. Accounting treatment of trust beneficiary interests in real estate, etc.	<p>For trust beneficiary interests in real estate owned by MORI TRUST Hotel Reit, Inc., all accounts of assets and liabilities within the assets in trust as well as all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheets and statements of income. The following assets in trust recognized in the relevant accounts are presented separately on the balance sheets due to their materiality. (1) Cash and deposits in trust (2) Buildings in trust, structures in trust, tools, furniture and fixtures in trust, land in trust, and construction in progress in trust</p>
5. Accounting treatment of consumption taxes, etc.	<p>Consumption taxes and local consumption taxes are accounted for by the taxes exclusion method.</p>

[Notes to Change in Presentation Method]

MORI TRUST Hotel Reit, Inc. has classified deferred tax assets to “Investments and other assets” and deferred tax liabilities to “Non-current liabilities” since the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the fiscal period ended February 28, 2019. As a result, in the balance sheets of the previous fiscal period, ¥19 thousand of “Deferred tax assets” under “Current assets” is included in “Deferred tax assets” under “Investments and other assets.”

[Notes to Balance Sheets]

	Previous fiscal period (as of August 31, 2018)	Current fiscal period (as of February 28, 2019)
*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 (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
*1 Breakdown of real estate rental income	A. Real estate rental revenues Rental revenues Rent 2,409,917 Total real estate rental revenues 2,409,917 B. Real estate rental expenses Rental expenses Property and other taxes 236,321 Insurance expenses 3,166 Repairs and maintenance expenses 2,605 Depreciation 312,423 Other rental expenses 800 Total real estate rental expenses 555,316 C. Real estate rental income (A – B) 1,854,601	A. Real estate rental revenues Rental revenues Rent 2,322,005 Total real estate rental revenues 2,322,005 B. Real estate rental expenses Rental expenses Property and other taxes 228,523 Insurance expenses 3,138 Repairs and maintenance expenses 1,114 Depreciation 312,536 Other rental expenses 800 Total real estate rental expenses 546,113 C. Real estate rental income (A – B) 1,775,891
*2 Transactions with major unit holders	Revenue and expenses attributable to operating transactions Operating revenues 1,757,581 Operating expenses 2,605	Revenue and expenses attributable to operating transactions Operating revenues 1,537,881 Operating expenses 840

[Notes to Statements of changes in net assets]

	Previous fiscal period (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
*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 (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	(as of August 31, 2018) Cash and deposits 3,541,621 Cash and deposits in trust 1,664,811 Cash and cash equivalents 5,206,433	(as of February 28, 2019) Cash and deposits 2,768,677 Cash and deposits in trust 1,543,576 Cash and cash equivalents 4,312,254

[Lease Transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of August 31, 2018)	Current fiscal period (as of February 28, 2019)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	10,437,386	9,785,050
Total	11,742,060	11,089,723

[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 August 31, 2018 are as shown below. Financial instruments whose fair values are considered to be extremely difficult to determine are not included in the table below (Note 2).

(Thousands of yen)

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

Balance sheet carrying amounts, fair values, and the differences between them as of February 28, 2019 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	2,768,677	2,768,677	—
(2) Cash and deposits in trust	1,543,576	1,543,576	—
Total assets	4,312,254	4,312,254	—
(1) Short-term loans payable	4,000,000	4,000,000	—
(2) Current portion of long-term loans payable	14,500,000	14,514,254	14,254
(3) Long-term loans payable	30,000,000	30,257,360	257,360
Total liabilities	48,500,000	48,771,614	271,614

(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 August 31, 2018)	Current fiscal period (as of February 28, 2019)
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 August 31, 2018)

(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	3,541,621	—	—	—	—	—
Cash and deposits in trust	1,664,811	—	—	—	—	—
Total	5,206,433	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of February 28, 2019)

(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	2,768,677	—	—	—	—	—
Cash and deposits in trust	1,543,576	—	—	—	—	—
Total	4,312,254	—	—	—	—	—

(Note 4) Expected amount of repayments of loans after balance sheet date (as of August 31, 2018)

(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	17,000,000	—	—	—	—	—
Long-term loans payable	—	14,500,000	3,000,000	7,500,000	2,000,000	5,500,000
Total	17,000,000	14,500,000	3,000,000	7,500,000	2,000,000	5,500,000

Expected amount of repayments of loans after balance sheet date (as of February 28, 2019)

(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	4,000,000	—	—	—	—	—
Current portion of long-term loans payable	14,500,000	—	—	—	—	—
Long-term loans payable	—	3,000,000	11,500,000	6,000,000	9,500,000	—
Total	18,500,000	3,000,000	11,500,000	6,000,000	9,500,000	—

[Tax Effect Accounting]

(Thousands of Yen)

	Previous fiscal period (as of August 31, 2018)	Current fiscal period (as of February 28, 2019)
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets)	(Deferred tax assets)
	Accrued enterprise tax	19
	Total deferred tax assets	19
	Net deferred tax assets	19
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate	31.74%
	(Adjustments)	
	Deductible distributions	(31.72%)
	Other	0.04%
	Effective tax rate after application of tax accounting	0.06%
	Statutory tax rate	31.51%
	(Adjustments)	
	Deductible distributions	(31.50%)
	Other	0.04%
	Effective tax rate after application of tax accounting	0.05%

[Related Party Transactions]

1. Parent company and major corporate unitholders, etc.

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

Attribute	Name	Location	Capital stock (Thousands of yen)	Business or occupation	Ownership ratio of units, etc. (%)	Nature of relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Balance at the end of the period (Thousands of yen)
						Concurrent officers, etc	Business relationship				
Other related company	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	32.8%	None	Leasing and management of real estate	Leasing of real estate	1,757,581	Advances received	287,748
										Tenant leasehold and security deposits	3,281,000

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

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

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

Current fiscal period (September 1, 2018 – February 28, 2019)

Not applicable.

2. Affiliated companies, etc.

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

Not applicable.

Current fiscal period (September 1, 2018 – February 28, 2019)

Not applicable.

3. Sister companies, etc.

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

Attribute	Name	Location	Capital stock (Thousands of yen)	Business or occupation	Ownership ratio of units, etc.	Nature of relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Balance at the end of the period (Thousands of yen)
						Concurrent officers, etc.	Business relationship				
Subsidiary of other related company	Mori Trust Hotel Asset Management Co., Ltd.	Minato-ku, Tokyo	200,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	91,170	Accounts payable	98,464

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

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

Current fiscal period (September 1, 2018 – February 28, 2019)

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	1,669,668	Advances received	329,698
										Tenant leasehold and security deposits	3,281,000
Subsidiary of other related company	Mori Trust Hotel Asset Management Co., Ltd.	Minato-ku, Tokyo	200,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	89,596	Accounts payable	96,764

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

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

(Note 3) On March 1, 2019, Mori Trust Hotel Asset Management Co., Ltd. merged with Mori Trust Asset Management Co., Ltd. through an absorption-type merger in which Mori Trust Hotel Asset Management was the disappearing company and Mori Trust Asset Management Co., Ltd. was the surviving company. After the merger, Mori Trust Asset Management Co., Ltd. became the asset management company of MORI TRUST Hotel Reit, Inc.

(Note 4) On February 18, 2019, Mori Trust Co., Ltd. transferred all investment units of MORI TRUST Hotel Reit, Inc. that it owned to Mori Trust Holdings Inc. and therefore its attribute changed from other related company to subsidiary of other related company. The amount of transaction includes the transactions that occurred in the period when the attribute of the related party was other related company.

4. Officers and major individual unitholders

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

Not applicable.

Current fiscal period (September 1, 2018 – February 28, 2019)

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 (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	101,501,953	101,194,052
	Changes during period	(307,901)	(307,216)
	Balance at end of period	101,194,052	100,886,836
	Fair value at end of period	114,900,000	116,500,000

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

(Note 2) The main reason for the increase during the previous period is the capital expenditure (4,522 thousand yen), and the main reason for the decrease during the previous period is depreciation (312,423 thousand yen). The main reason for the increase during the current period is the capital expenditure (5,320 thousand yen), and the main reason for the decrease during the current period is depreciation (312,536 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 (March 1, 2018 – August 31, 2018)

(1) Information about products and services

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

(2) Information about geographical area

i) Operating revenues

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

ii) Property and equipment

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

(3) Information about major customers

(Thousands of yen)

Name	Operating revenues	Related segment
Mori Trust Co., Ltd.	1,757,581	Real estate rental business
Sotetsu Hotel Management Co.,Ltd.	652,336	Real estate rental business

Current fiscal period (September 1, 2018 – February 28, 2019)

(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.	1,669,668	Real estate rental business
Sotetsu Hotel Management Co.,Ltd.	652,336	Real estate rental business

[Per Unit Information]

Previous fiscal period (March 1, 2018 – August 31, 2018)		Current fiscal period (September 1, 2018 – February 28, 2019)	
Net assets per unit	103,255yen	Net assets per unit	103,090yen
Net income per unit	3,255yen	Net income per unit	3,089yen
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 (March 1, 2018 – August 31, 2018)	Current fiscal period (September 1, 2018 – February 28, 2019)
Net income (Thousands of yen)	1,627,741	1,544,749
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	1,627,741	1,544,749
Average number of investment units for the period (Units)	500,000	500,000

[Significant Subsequent Events]

Not applicable.

(7) [Supplementary Schedules]

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

(Thousands of yen)

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Accumulated depreciation		Balance at end of period (less depreciation and amortization)	Remarks	
					or accumulated amortization	Depreciation and amortization during the period			
Property and equipment	Buildings in trust	16,819,776	5,320	—	16,825,096	1,588,817	311,702	15,236,278	
	Structures in trust	5,640	—	—	5,640	3,675	521	1,964	
	Tools, furniture and fixtures in trust	4,522	—	—	4,522	377	312	4,144	
	Land in trust	85,644,447	—	—	85,644,447	—	—	85,644,447	
	Construction in progress in trust	—	34,560	—	34,560	—	—	34,560	
	Subtotal	102,474,386	39,880	—	102,514,266	1,592,870	312,536	100,921,396	
Intangible assets	Software	3,000	—	—	3,000	1,130	300	1,870	
	Subtotal	3,000	—	—	3,000	1,130	300	1,870	
Total	102,477,386	39,880	—	102,517,266	1,594,000	312,836	100,923,266		

ii) Schedule of borrowings

(Thousands of yen)

	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 1)	Repayment date	Repayment method	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Trust Bank, Limited	4,500,000	—	4,500,000	—	0.26427%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	4,500,000	—	4,500,000	—	0.26427%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	3,500,000	—	3,500,000	—	0.26427%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	3,500,000	—	3,500,000	—	0.26427%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Shinkin Central Bank	1,000,000	—	1,000,000	—	0.26427%	Nov. 30, 2018	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	—	2,500,000	—	2,500,000	0.26215%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.26215%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	500,000	—	500,000	0.26215%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	500,000	—	500,000	0.26215%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Total	17,000,000	4,000,000	17,000,000	4,000,000					
Long-term loans payable (Note2)	Mizuho Bank, Ltd.	7,000,000	—	—	7,000,000	0.36750%	Nov. 29, 2019	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	5,500,000	—	—	5,500,000	0.36750%	Nov. 29, 2019	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	2,000,000	—	—	2,000,000	0.36750%	Nov. 29, 2019	Lump-sum payment at maturity	(Note 3)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	3,000,000	—	—	3,000,000	0.49630%	Nov. 30, 2021	Lump-sum payment at maturity	(Note 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
	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
Total	32,500,000	12,000,000	—	44,500,000					
Grand Total	49,500,000	16,000,000	17,000,000	48,500,000					

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

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years
Long-term loans	14,500,000	3,000,000	11,500,000	6,000,000	9,500,000