



## 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, 2019 and February 29, 2020, 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, 2019 and February 29, 2020, 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, 2019 and February 29, 2020, and their financial performance and cash flows for the six months ended August 31, 2019 and February 29, 2020 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 12, 2020  
Tokyo, Japan

**Asset Management Report**  
**MORI TRUST Hotel Reit, Inc.**  
**8th Fiscal Period**  
(September 1, 2019 – February 29, 2020)

**1. Methods of Preparation of Financial Statements**

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

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

**2. Consolidated Financial Statements**

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

# 1. Financial statements

## (1) Balance sheets

(Thousands of yen)

	Previous fiscal period (as of August 31, 2019)	Current fiscal period (as of February 29, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,483,416	2,687,017
Cash and deposits in trust	1,651,896	1,757,712
Consumption taxes receivable	—	169,524
Prepaid expenses	9,378	7,273
Other current assets	124	—
<b>Total current assets</b>	<b>3,144,816</b>	<b>4,621,527</b>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Tools, furniture and fixtures	—	37,281
Accumulated depreciation	—	(2,378)
<b>Tools, furniture and fixtures, net</b>	<b>—</b>	<b>34,902</b>
Construction in progress	3,510	—
Buildings in trust	16,842,694	20,567,442
Accumulated depreciation	(1,901,118)	(2,258,587)
<b>Buildings in trust, net</b>	<b>14,941,575</b>	<b>18,308,854</b>
Structures in trust	5,640	8,590
Accumulated depreciation	(4,192)	(4,392)
<b>Structures in trust, net</b>	<b>1,447</b>	<b>4,197</b>
Machinery and equipment in trust	2,136	4,545
Accumulated depreciation	(106)	(233)
<b>Machinery and equipment in trust, net</b>	<b>2,029</b>	<b>4,311</b>
Tools, furniture and fixtures in trust	14,454	15,851
Accumulated depreciation	(1,007)	(2,045)
<b>Tools, furniture and fixtures in trust, net</b>	<b>13,446</b>	<b>13,806</b>
Land in trust	85,644,447	88,512,726
Construction in progress in trust	675,714	—
<b>Total property and equipment</b>	<b>101,282,171</b>	<b>106,878,798</b>
<b>Intangible assets</b>		
Software	1,570	1,270
<b>Total intangible assets</b>	<b>1,570</b>	<b>1,270</b>
<b>Investments and other assets</b>		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	240	—
Deferred tax assets	20	6
<b>Total investments and other assets</b>	<b>10,261</b>	<b>10,006</b>
<b>Total non-current assets</b>	<b>101,294,003</b>	<b>106,890,075</b>
<b>Total assets</b>	<b>104,438,820</b>	<b>111,511,602</b>

(Thousands of yen)

	Previous fiscal period (as of August 31, 2019)	Current fiscal period (as of February 29, 2020)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	112,706	28,137
Short-term loans payable	3,000,000	6,500,000
Current portion of long-term loans payable	14,500,000	3,000,000
Accounts payable	111,704	109,620
Accrued expenses	50,582	48,634
Distribution payable	6,089	5,768
Income taxes payable	1,027	732
Accrued consumption taxes	78,733	—
Advances received	412,764	482,072
Deposits received	926	623
Total current liabilities	18,274,535	10,175,589
Non-current liabilities		
Long-term loans payable	30,000,000	45,000,000
Tenant leasehold and security deposits	4,554,473	4,554,473
Other non-current liabilities	—	18
Total non-current liabilities	34,554,473	49,554,491
<b>Total liabilities</b>	<b>52,829,008</b>	<b>59,730,080</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	1,609,811	1,781,521
Total surplus	1,609,811	1,781,521
Total unitholders' equity	51,609,811	51,781,521
<b>Total net assets</b>	<b>*1 51,609,811</b>	<b>*1 51,781,521</b>
<b>Total liabilities and net assets</b>	<b>104,438,820</b>	<b>111,511,602</b>

## (2) Statements of income

(Thousands of yen)

	Previous fiscal period (March 1, 2019 – August 31, 2019)		Current fiscal period (September 1, 2019 – February 29, 2020)	
Operating revenues				
Rental revenues	*1	2,399,708	*1	2,627,967
Other rental revenues		—	*1	2,224
Total operating revenues		2,399,708		2,630,192
Operating expenses				
Rental expenses	*1	554,650	*1	606,025
Asset management fee		90,384		90,041
Asset custody and administrative service fees		15,055		12,207
Directors' compensations		3,600		3,600
Other operating expenses		27,582		25,414
Total operating expenses		691,273		737,288
Operating income		1,708,434		1,892,904
Non-operating income				
Interest income		21		19
Gain on insurance claims	*2	7,631		—
Other		0		0
Total non-operating income		7,652		19
Non-operating expenses				
Interest expenses		105,278		110,964
Total non-operating expenses		105,278		110,964
Ordinary income		1,610,808		1,781,959
Income before income taxes		1,610,808		1,781,959
Income taxes - current		1,030		734
Income taxes - deferred		(13)		14
Total income taxes		1,017		749
Net income		1,609,791		1,781,210
Retained earnings brought forward		19		311
Unappropriated retained earnings		1,609,811		1,781,521

## (3) Statements of changes in net assets

Previous fiscal period (March 1, 2019 – August 31, 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	1,545,019	1,545,019	51,545,019	51,545,019
Changes of items during period					
Distribution of retained earnings		(1,545,000)	(1,545,000)	(1,545,000)	(1,545,000)
Net income		1,609,791	1,609,791	1,609,791	1,609,791
Total changes of items during period	—	64,791	64,791	64,791	64,791
Balance at end of current period	*1 50,000,000	1,609,811	1,609,811	51,609,811	51,609,811

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

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of current period	50,000,000	1,609,811	1,609,811	51,609,811	51,609,811
Changes of items during period					
Distribution of retained earnings		(1,609,500)	(1,609,500)	(1,609,500)	(1,609,500)
Net income		1,781,210	1,781,210	1,781,210	1,781,210
Total changes of items during period	—	171,710	171,710	171,710	171,710
Balance at end of current period	*1 50,000,000	1,781,521	1,781,521	51,781,521	51,781,521

## (4) Statements of cash distributions

(yen)

	Previous fiscal period (March 1, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
I. Unappropriated retained earnings	1,609,811,432	1,781,521,630
II. Distributions (Distributions per unit)	1,609,500,000 (3,219)	1,781,500,000 (3,563)
III. Retained earnings brought forward	311,432	21,630
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 ¥1,609,500,000, 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 ¥1,781,500,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 500,000, which is the number of investment units issued and outstanding.

## (5) Statements of cash flows

(Thousands of yen)

	Previous fiscal period (March 1, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,610,808	1,781,959
Depreciation	313,855	361,512
Interest income	(21)	(19)
Interest expenses	105,278	110,964
Gain on insurance claims	(7,631)	—
Decrease (increase) in consumption taxes receivable	—	(169,524)
Decrease (increase) in prepaid expenses	(1,013)	2,105
Decrease (increase) in long-term prepaid expenses	2,890	240
Increase (decrease) in operating accounts payable	110,545	(109,481)
Increase (decrease) in accounts payable	5,316	(2,084)
Increase (decrease) in accrued consumption taxes	34,284	(78,733)
Increase (decrease) in advances received	(31,092)	69,308
Other, net	152	(109)
Subtotal	2,143,371	1,966,139
Interest income received	21	19
Interest expenses paid	(104,175)	(112,912)
Proceeds from insurance income	39,661	—
Income taxes paid	(755)	(1,030)
Net cash provided by operating activities	2,078,123	1,852,215
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(3,510)	(33,771)
Purchase of property and equipment in trust	(706,864)	(5,899,155)
Net cash used in investing activities	(710,374)	(5,932,926)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	3,000,000	3,500,000
Repayments of short-term loans payable	(4,000,000)	—
Proceeds from long-term loans payable	—	18,000,000
Repayments of long-term loans payable	—	(14,500,000)
Distributions paid	(1,544,689)	(1,609,872)
Net cash provided by (used in) financing activities	(2,544,689)	5,390,127
Net increase (decrease) in cash and cash equivalents	(1,176,940)	1,309,416
Cash and cash equivalents at beginning of period	4,312,254	3,135,313
Cash and cash equivalents at end of period	*1 3,135,313	*1 4,444,729



## (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: Tools, furniture and fixtures 4 to 10 years Buildings in trust 7 to 72 years Structures in trust 2 to 15 years Machinery and equipment in trust 10 years Tools, furniture and fixtures in trust 3 to 10 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. The amount equivalent to property taxes, etc. included in acquisition costs for trust beneficiary rights was ¥29,907 thousand for the current fiscal period.</p>
3. Scope of cash and cash equivalents in the statements of cash flows	<p>Cash and cash equivalents in the statements of cash flows include the following: (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, machinery and equipment 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 tax exclusion method.</p>

## [Notes to Balance Sheets]

	Previous fiscal period (as of August 31, 2019)	Current fiscal period (as of February 29, 2020)
*1 Minimum net assets as provided in Article 67, paragraph 4 of the Investment Trust Law	50,000 thousand yen	50,000 thousand yen

[Notes to Statements of income]

(Thousands of yen)

	Previous fiscal period (March 1, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
*1 Breakdown of real estate rental income	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,399,708</p> <p>Other rental revenues</p> <p>Others —</p> <p>Total real estate rental revenues 2,399,708</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 235,295</p> <p>Insurance expenses 3,142</p> <p>Repairs and maintenance expenses 1,857</p> <p>Depreciation 313,555</p> <p>Other rental expenses 800</p> <p>Total real estate rental expenses 554,650</p> <p>C. Real estate rental income (A – B) 1,845,057</p>	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,627,967</p> <p>Other rental revenues</p> <p>Others 2,224</p> <p>Total real estate rental revenues 2,630,192</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 235,291</p> <p>Insurance expenses 4,592</p> <p>Repairs and maintenance expenses 3,980</p> <p>Depreciation 361,212</p> <p>Other rental expenses 948</p> <p>Total real estate rental expenses 606,025</p> <p>C. Real estate rental income (A – B) 2,024,167</p>
*2 Gain on insurance claims	It represents the difference between insurance proceeds related to damages incurred during the previous fiscal period and payment for repair work conducted in the current fiscal period.	—

[Notes to Statements of changes in net assets]

	Previous fiscal period (March 1, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
*1 Total number of authorized investment units and total number of investment units issued and outstanding		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding at the end of the fiscal period	500,000 units	500,000 units

[Notes to Statements of Cash Flows]

(Thousands of yen)

	Previous fiscal period (March 1, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	<p>(as of August 31, 2019)</p> <p>Cash and deposits 1,483,416</p> <p>Cash and deposits in trust 1,651,896</p> <p>Cash and cash equivalents 3,135,313</p>	<p>(as of February 29, 2020)</p> <p>Cash and deposits 2,687,017</p> <p>Cash and deposits in trust 1,757,712</p> <p>Cash and cash equivalents 4,444,729</p>

[Lease Transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of August 31, 2019)	Current fiscal period (as of February 29, 2020)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	9,132,713	8,480,376
Total	10,437,386	9,785,050

[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, 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	1,483,416	1,483,416	—
(2) Cash and deposits in trust	1,651,896	1,651,896	—
Total assets	3,135,313	3,135,313	—
(1) Short-term loans payable	3,000,000	3,000,000	—
(2) Current portion of long-term loans payable	14,500,000	14,515,955	15,955
(3) Long-term loans payable	30,000,000	30,290,965	290,965
Total liabilities	47,500,000	47,806,921	306,921

Balance sheet carrying amounts, fair values, and the differences between them as of February 29, 2020 are as shown below. Financial instruments whose fair values are considered to be extremely difficult to determine are not included in the table below (Note 2).

(Thousands of yen)

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

(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, 2019)	Current fiscal period (as of February 29, 2020)
Tenant leasehold and security deposits	4,554,473	4,554,473

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

(Note 3) Redemption schedule for monetary claims after balance sheet date (as of August 31, 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	1,483,416	—	—	—	—	—
Cash and deposits in trust	1,651,896	—	—	—	—	—
Total	3,135,313	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of February 29, 2020)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	2,687,017	—	—	—	—	—
Cash and deposits in trust	1,757,712	—	—	—	—	—
Total	4,444,729	—	—	—	—	—

(Note 4) Expected amount of repayments of loans after balance sheet date (as of August 31, 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	3,000,000	—	—	—	—	—
Current portion of long-term loans payable	14,500,000	—	—	—	—	—
Long-term loans payable	—	7,000,000	12,500,000	5,000,000	5,500,000	—
Total	17,500,000	7,000,000	12,500,000	5,000,000	5,500,000	—

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

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	6,500,000	—	—	—	—	—
Current portion of long-term loans payable	3,000,000	—	—	—	—	—
Long-term loans payable	—	11,500,000	13,500,000	11,500,000	5,000,000	3,500,000
Total	9,500,000	11,500,000	13,500,000	11,500,000	5,000,000	3,500,000

## [Tax Effect Accounting]

(Thousands of Yen)

	Previous fiscal period (as of August 31, 2019)	Current fiscal period (as of February 29, 2020)	
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets)	(Deferred tax assets)	
	Accrued enterprise tax	20	
	Total deferred tax assets	20	
	Net deferred tax assets	20	
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate	31.51%	
	(Adjustments)		
	Deductible distributions	(31.48%)	
	Other	0.03%	
	Effective tax rate after application of tax accounting	0.06%	
		Statutory tax rate	31.51%
		(Adjustments)	
		Deductible distributions	(31.50%)
		Other	0.03%
		Effective tax rate after application of tax accounting	0.04%

[Related Party Transactions]

1. Parent company and major corporate unitholders, etc.

Previous fiscal period (March 1, 2019 – August 31, 2019)

Not applicable.

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

Not applicable.

2. Affiliated companies, etc.

Previous fiscal period (March 1, 2019 – August 31, 2019)

Not applicable.

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

Not applicable.

3. Sister companies, etc.

Previous fiscal period (March 1, 2019 – August 31, 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	1,747,371	Advances received	298,605
										Tenant leasehold and security deposits	3,281,000
Subsidiary of other related company	Mori Trust Asset Management Co., Ltd.	Minato-ku, Tokyo	400,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	90,384	Accounts payable	97,615

(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.

(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 absorbed 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.

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

Attribute	Name	Location	Capital stock (Thousands of yen)	Business or occupation	Ownership ratio of units, etc.	Nature of relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Balance at the end of the period (Thousands of yen)
						Concurrent officers, etc.	Business relationship				
Subsidiary of other related company	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	—	None	Leasing and management of real estate	Leasing of real estate	1,774,474	Advances received	330,497
										Tenant leasehold and security deposits	3,281,000
Subsidiary of other related company	Mori Trust Asset Management Co., Ltd.	Minato-ku, Tokyo	400,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	90,041	Accounts payable	99,045

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

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

4. Officers and major individual unitholders

Previous fiscal period (March 1, 2019 – August 31, 2019)

Not applicable.

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

Not applicable.

[Investment and Rental Properties]

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

		(Thousands of yen)	
Use		Previous fiscal period (March 1, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	100,886,836	100,602,947
	Changes during period	(283,888)	6,275,851
	Balance at end of period	100,602,947	106,878,798
	Fair value at end of period	119,200,000	128,050,000

(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 (29,666 thousand yen), and the main reason for the decrease during the previous period is depreciation (313,555 thousand yen). The main reasons for the increase during the current period are the acquisition of Hilton Odawara Resort & Spa (6,596,875 thousand yen) and the capital expenditure (40,187 thousand yen), and the main reason for the decrease during the current period is depreciation (361,212 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, 2019 – August 31, 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.	1,747,371	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

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

(1) Information about products and services

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

(2) Information about geographical area

i) Operating revenues

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

ii) Property and equipment

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

(3) Information about major customers

(Thousands of yen)

Name	Operating revenues	Related segment
Mori Trust Co., Ltd.	1,774,474	Real estate rental business
Sotetsu Hotel Management Co., Ltd.	652,336	Real estate rental business

[Per Unit Information]

Previous fiscal period (March 1, 2019 – August 31, 2019)		Current fiscal period (September 1, 2019 – February 29, 2020)	
Net assets per unit	103,219yen	Net assets per unit	103,563yen
Net income per unit	3,219yen	Net income per unit	3,562yen
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, 2019 – August 31, 2019)	Current fiscal period (September 1, 2019 – February 29, 2020)
Net income (Thousands of yen)	1,609,791	1,781,210
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	1,609,791	1,781,210
Average number of investment units for the period (Units)	500,000	500,000

[Significant Subsequent Events]

Impact of the novel coronavirus (COVID-19)

Demand for hotel services for domestic and foreign tourists, business guests, banquets, etc. is remarkably weak due to the worldwide spread of the novel coronavirus (COVID-19) and the accompanying declaration of a state of emergency by the Japanese government.

Depending on how demand recovers in the future, the revenues of each hotel of MORI TRUST Hotel Reit, Inc. are expected to be materially affected.

## (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	Tools, furniture and fixtures	—	37,281	—	37,281	2,378	2,378	34,902	(Note)
	Construction in progress	3,510	—	3,510	—	—	—	—	
	Buildings in trust	16,842,694	3,724,747	—	20,567,442	2,258,587	357,468	18,308,854	(Note)
	Structures in trust	5,640	2,950	—	8,590	4,392	200	4,197	
	Machinery and equipment in trust	2,136	2,408	—	4,545	233	126	4,311	
	Tools, furniture and fixtures in trust	14,454	1,397	—	15,851	2,045	1,037	13,806	
	Land in trust	85,644,447	2,868,278	—	88,512,726	—	—	88,512,726	(Note)
	Construction in progress in trust	675,714	—	675,714	—	—	—	—	
Subtotal	103,188,597	6,637,063	679,224	109,146,436	2,267,637	361,212	106,878,798		
Intangible assets	Software	3,000	—	—	3,000	1,730	300	1,270	
	Subtotal	3,000	—	—	3,000	1,730	300	1,270	
Total	103,191,597	6,637,063	679,224	109,149,436	2,269,367	361,512	106,880,068		

(Note) The increase in property and equipment during the period results mainly from the acquisition of Hilton Odawara Resort &amp; Spa (6,596,875 thousand yen).



ii) Schedule of borrowings

(Thousands of yen)

	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 1)	Repayment date	Repayment method	Use	Remarks
Short-term loans payable	MUFG Bank, Ltd.	1,500,000	—	—	1,500,000	0.27249%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	—	500,000	0.27249%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	0.27249%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000	0.27249%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	1,500,000	—	1,500,000	0.26247%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	1,500,000	—	1,500,000	0.26247%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.26247%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Total	3,000,000	3,500,000	—	6,500,000					
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	

	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)	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.35158%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.35158%	Aug. 31, 2021	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	—	—	1,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Shinkin Central Bank	1,000,000	—	—	1,000,000	0.42661%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.49909%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	—	—	1,000,000	0.49909%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	1,000,000	—	—	1,000,000	0.49909%	Aug. 31, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Shinkin Central Bank	—	1,000,000	—	1,000,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Development Bank of Japan Inc.	—	500,000	—	500,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	—	500,000	—	500,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Resona Bank, Limited	—	500,000	—	500,000	0.29880%	Aug. 29, 2025	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	1,000,000	—	1,000,000	0.36000%	Aug. 31, 2026	Lump-sum payment at maturity	(Note 5)	Unsecured /Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	—	2,000,000	—	2,000,000	0.25750%	Aug. 31, 2022	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	5,500,000	—	5,500,000	0.28250%	Feb. 28, 2023	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	2,000,000	—	2,000,000	0.33250%	Feb. 29, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	5,000,000	—	5,000,000	0.35750%	Aug. 30, 2024	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Total	44,500,000	18,000,000	14,500,000	48,000,000					
	Grand Total	47,500,000	21,500,000	14,500,000	54,500,000					

(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 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	3,000,000	11,500,000	13,500,000	11,500,000	5,000,000