



Independent Auditor's Report

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

We have audited the accompanying financial statements of MORI TRUST Hotel Reit, Inc., which comprise the balance sheets as at February 28, 2019 and August 31, 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 February 28, 2019 and August 31, 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 February 28, 2019 and August 31, 2019, and their financial performance and cash flows for the six months ended February 28, 2019 and August 31, 2019 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note, "Significant Subsequent Events" to the financial statements, which states that MORI TRUST Hotel Reit, Inc. acquired new assets and executed additional borrowings. Our opinion is not modified in respect of this matter.

KPMG AZSA LLC

December 13, 2019
Tokyo, Japan

Asset Management Report
MORI TRUST Hotel Reit, Inc.
7th Fiscal Period
(March 1, 2019 – August 31, 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 February 28, 2019)	Current fiscal period (as of August 31, 2019)
Assets		
Current assets		
Cash and deposits	2,768,677	1,483,416
Cash and deposits in trust	1,543,576	1,651,896
Prepaid expenses	8,364	9,378
Other current assets	—	124
Total current assets	4,320,619	3,144,816
Non-current assets		
Property and equipment		
Construction in progress	—	3,510
Buildings in trust	16,825,096	16,842,694
Accumulated depreciation	(1,588,817)	(1,901,118)
Buildings in trust, net	15,236,278	14,941,575
Structures in trust	5,640	5,640
Accumulated depreciation	(3,675)	(4,192)
Structures in trust, net	1,964	1,447
Machinery and equipment in trust	—	2,136
Accumulated depreciation	—	(106)
Machinery and equipment in trust, net	—	2,029
Tools, furniture and fixtures in trust	4,522	14,454
Accumulated depreciation	(377)	(1,007)
Tools, furniture and fixtures in trust, net	4,144	13,446
Land in trust	85,644,447	85,644,447
Construction in progress in trust	34,560	675,714
Total property and equipment	100,921,396	101,282,171
Intangible assets		
Software	1,870	1,570
Total intangible assets	1,870	1,570
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	3,131	240
Deferred tax assets	7	20
Total investments and other assets	13,138	10,261
Total non-current assets	100,936,404	101,294,003
Total assets	105,257,024	104,438,820

(Thousands of yen)

	Previous fiscal period (as of February 28, 2019)	Current fiscal period (as of August 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	3,644	112,706
Short-term loans payable	4,000,000	3,000,000
Current portion of long-term loans payable	14,500,000	14,500,000
Accounts payable	106,388	111,704
Accrued expenses	49,479	50,582
Distribution payable	5,779	6,089
Income taxes payable	752	1,027
Accrued consumption taxes	47,009	78,733
Advances received	443,857	412,764
Deposits received	620	926
Total current liabilities	19,157,531	18,274,535
Non-current liabilities		
Long-term loans payable	30,000,000	30,000,000
Tenant leasehold and security deposits	4,554,473	4,554,473
Total non-current liabilities	34,554,473	34,554,473
Total liabilities	53,712,004	52,829,008
Net assets		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	1,545,019	1,609,811
Total surplus	1,545,019	1,609,811
Total unitholders' equity	51,545,019	51,609,811
Total net assets	*1 51,545,019	*1 51,609,811
Total liabilities and net assets	105,257,024	104,438,820

(2) Statements of income

(Thousands of yen)

	Previous fiscal period (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
Operating revenues		
Rental revenues	*1, *2 2,322,005	*1, *2 2,399,708
Total operating revenues	2,322,005	2,399,708
Operating expenses		
Rental expenses	*1, *2 546,113	*1, *2 554,650
Asset management fee	89,596	90,384
Asset custody and administrative service fees	11,735	15,055
Directors' compensations	3,600	3,600
Other operating expenses	26,191	27,582
Total operating expenses	677,237	691,273
Operating income	1,644,767	1,708,434
Non-operating income		
Interest income	22	21
Insurance income	358	—
Gain on insurance claims	—	*3 7,631
Other	0	0
Total non-operating income	380	7,652
Non-operating expenses		
Interest expenses	99,630	105,278
Total non-operating expenses	99,630	105,278
Ordinary income	1,545,517	1,610,808
Income before income taxes	1,545,517	1,610,808
Income taxes - current	755	1,030
Income taxes - deferred	11	(13)
Total income taxes	767	1,017
Net income	1,544,749	1,609,791
Retained earnings brought forward	269	19
Unappropriated retained earnings	1,545,019	1,609,811

(3) Statements of changes in net assets

Previous 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

Current 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

(4) Statements of cash distributions

(yen)

	Previous fiscal period (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
I. Unappropriated retained earnings	1,545,019,686	1,609,811,432
II. Distributions (Distributions per unit)	1,545,000,000 (3,090)	1,609,500,000 (3,219)
III. Retained earnings brought forward	19,686	311,432
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 ¥1,545,000,000, 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.	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.

(5) Statements of cash flows

(Thousands of yen)

	Previous fiscal period (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
Cash flows from operating activities		
Income before income taxes	1,545,517	1,610,808
Depreciation	312,836	313,855
Interest income	(22)	(21)
Interest expenses	99,630	105,278
Gain on insurance claims	—	(7,631)
Decrease (increase) in prepaid expenses	(7,040)	(1,013)
Decrease (increase) in long-term prepaid expenses	(3,131)	2,890
Increase (decrease) in operating accounts payable	(111,799)	110,545
Increase (decrease) in accounts payable	(1,781)	5,316
Increase (decrease) in accrued consumption taxes	(12,834)	34,284
Increase (decrease) in advances received	41,950	(31,092)
Other, net	0	152
Subtotal	1,863,324	2,143,371
Interest income received	22	21
Interest expenses paid	(87,978)	(104,175)
Proceeds from insurance income	—	39,661
Income taxes paid	(1,004)	(755)
Net cash provided by operating activities	1,774,363	2,078,123
Cash flows from investing activities		
Purchase of property and equipment	—	(3,510)
Purchase of property and equipment in trust	(40,409)	(706,864)
Net cash used in investing activities	(40,409)	(710,374)
Cash flows from financing activities		
Proceeds from short-term loans payable	4,000,000	3,000,000
Repayments of short-term loans payable	(17,000,000)	(4,000,000)
Proceeds from long-term loans payable	12,000,000	—
Distributions paid	(1,628,132)	(1,544,689)
Net cash used in financing activities	(2,628,132)	(2,544,689)
Net increase (decrease) in cash and cash equivalents	(894,178)	(1,176,940)
Cash and cash equivalents at beginning of period	5,206,433	4,312,254
Cash and cash equivalents at end of period	*1 4,312,254	*1 3,135,313

(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 Machinery and equipment in trust 10 years Tools, furniture and fixtures in trust 4 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. 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, 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.	Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

[Notes to Balance Sheets]

	Previous fiscal period (as of February 28, 2019)	Current fiscal period (as of August 31, 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 (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
*1 Breakdown of real estate rental income	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,322,005</p> <p>Total real estate rental revenues 2,322,005</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 228,523</p> <p>Insurance expenses 3,138</p> <p>Repairs and maintenance expenses 1,114</p> <p>Depreciation 312,536</p> <p>Other rental expenses 800</p> <p>Total real estate rental expenses 546,113</p> <p>C. Real estate rental income (A – B) 1,775,891</p>	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 2,399,708</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>
*2 Transactions with major unit holders	<p>Revenue and expenses attributable to operating transactions</p> <p>Operating revenues 1,537,881</p> <p>Operating expenses 840</p>	—
*3 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 (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 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 (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	<p>(as of February 28, 2019)</p> <p>Cash and deposits 2,768,677</p> <p>Cash and deposits in trust 1,543,576</p> <p>Cash and cash equivalents 4,312,254</p>	<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>

[Lease Transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of February 28, 2019)	Current fiscal period (as of August 31, 2019)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	9,785,050	9,132,713
Total	11,089,723	10,437,386

[Financial Instruments]

1. Matters regarding financial instruments

(1) Policy for financial instruments

To conduct the efficient management of assets and contribute to the management stability, MORI TRUST Hotel Reit, Inc. procures funds for the acquisition of assets, the payment of repair and maintenance expenses and dividends, the repayment of debt (including the repayment of leasehold deposits, etc. and loans as well as the obligations of investment corporation bonds), working capital, etc. mainly by borrowing, issuing investment corporation bonds, or issuing investment units.

Surplus funds are carefully invested in consideration of the safety of the investment and convertibility into cash and in view of interest rates and cash flows.

(2) Types of financial instruments, related risk and risk management for financial instruments

Proceeds from borrowings are used mainly to acquire trust beneficiary interests in real estate.

These borrowings are exposed to liquidity risks at maturity. However, MORI TRUST Hotel Reit, Inc. appropriately manages the LTV ratio to limit the impact of higher market interest rates on MORI TRUST Hotel Reit, Inc.'s operations, and also seeks to disperse of maturities to manage this risk.

(3) Supplementary remarks on fair value of financial instruments

The fair value of financial instruments is based on market prices or a reasonably calculated value if there is no market price available. As certain assumptions are used in calculating these values, these values may vary if different assumptions are used.

2. Matters regarding fair value of financial instruments

Balance sheet carrying amounts, fair values, and the differences between them as of February 28, 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

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

(Note 1) Measurement of fair values of financial instruments

Assets

(1) Cash and deposits and (2) Cash and deposits in trust

As these items are settled within a short-term period, their fair value approximates the balance sheet carrying amount. Therefore, for these items, the carrying value is reported as the fair value.

Liabilities

(1) Short-term loans payable

As short-term loans payable are settled within a short-term period, the fair value approximates the balance sheet carrying amount. Therefore, for this item, the carrying value is reported as the fair value.

(2) Current portion of long-term loans payable and (3) Long-term loans payable

The fair value of these items are calculated by discounting the total of principal and interest at the rate to be applied if similar new loans were entered into.

(Note 2) Balance sheet carrying amount of financial instruments whose fair value is considered to be extremely difficult to determine

(Thousands of yen)

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

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	—	—	—	—	—

(Note 4) 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	—

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	—

[Tax Effect Accounting]

(Thousands of Yen)

	Previous fiscal period (as of February 28, 2019)	Current fiscal period (as of August 31, 2019)
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets) Accrued enterprise tax <u>7</u> Total deferred tax assets <u>7</u> Net deferred tax assets <u>7</u>	(Deferred tax assets) Accrued enterprise tax <u>20</u> Total deferred tax assets <u>20</u> Net deferred tax assets <u>20</u>
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate 31.51% (Adjustments) Deductible distributions (31.50%) Other <u>0.04%</u> Effective tax rate after application of tax accounting 0.05%	Statutory tax rate 31.51% (Adjustments) Deductible distributions (31.48%) Other <u>0.03%</u> Effective tax rate after application of tax accounting 0.06%

[Related Party Transactions]

1. Parent company and major corporate unitholders, etc.

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

Not applicable.

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

Not applicable.

2. Affiliated companies, etc.

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

Not applicable.

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

Not applicable.

3. Sister companies, etc.

Previous 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 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.

(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.

Current 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 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 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.

4. Officers and major individual unitholders

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

Not applicable.

Current fiscal period (March 1, 2019 – August 31, 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 (September 1, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
Hotel	Balance sheet carrying amount		
	Balance at beginning of period	101,194,052	100,886,836
	Changes during period	(307,216)	(283,888)
	Balance at end of period	100,886,836	100,602,947
	Fair value at end of period	116,500,000	119,200,000

(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 (5,320 thousand yen), and the main reason for the decrease during the previous period is depreciation (312,536 thousand yen). The main reason for the increase during the current period is the capital expenditure (29,666 thousand yen), and the main reason for the decrease during the current period is depreciation (313,555 thousand yen).

(Note 3) Fair value at end of period is the appraisal value provided by an independent real estate appraiser.

The profit or loss concerning investment and rental properties is indicated under “Notes to Statements of income.”

[Segment Information, etc.]

1. Segment information

Disclosure is omitted as MORI TRUST Hotel Reit, Inc. has only one segment, which is the real estate rental business.

2. Related information

Previous fiscal period (September 1, 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

Current 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

[Per Unit Information]

Previous fiscal period (September 1, 2018 – February 28, 2019)		Current fiscal period (March 1, 2019 – August 31, 2019)	
Net assets per unit	103,090yen	Net assets per unit	103,219yen
Net income per unit	3,089yen	Net income per unit	3,219yen
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, 2018 – February 28, 2019)	Current fiscal period (March 1, 2019 – August 31, 2019)
Net income (Thousands of yen)	1,544,749	1,609,791
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	1,544,749	1,609,791
Average number of investment units for the period (Units)	500,000	500,000

[Significant Subsequent Events]

1. Acquisition of assets

MORI TRUST Hotel Reit, Inc. acquired the following asset on September 2, 2019.

[Overview of the acquisition]

Property name	: Hilton Odawara Resort & Spa
Location	: Odawara-shi, Kanagawa
Asset category	: Real estate trust beneficiary interest and movables attached to the hotel
Acquisition price	: 6,500 million yen (50% quasi-co-ownership interest) Associated acquisition costs, settlement amounts of property taxes, and consumption taxes and local consumption taxes are excluded.
Acquisition date	: September 2, 2019
Seller	: Odawara Hilton Co., Ltd.

2. Borrowing of funds

MORI TRUST Hotel Reit, Inc. borrowed the following funds amounted to a total of 7,000 million yen in order to acquire the property mentioned in “1. Acquisition of assets” above.

Category (Note 1)	Lender	Loan amount (million yen)	Interest rate	Drawdown date	Repayment date	Repayment method	Remarks
Short-term	Sumitomo Mitsui Banking Corporation	1,500	Base interest rate (Note 2) +0.19%	September 2, 2019	August 31, 2020	Lump-sum payment at maturity	Unsecured /Non- guaranteed/ Floating interest rate
	Sumitomo Mitsui Trust Bank, Limited	1,500					
	Mizuho Bank, Ltd	500					
	Subtotal	3,500	—	—	—	—	—
Long-term	Shinkin Central Bank	1,000	0.29880%	September 2, 2019	August 29, 2025	Lump-sum payment at maturity	Unsecured /Non- guaranteed/ Fixed interest rate
	Development Bank of Japan Inc.	500					
	Mizuho Trust & Banking Co., Ltd.	500					
	Resona Bank, Limited	500	0.36000%		August 31, 2026		
	Mizuho Bank, Ltd	1,000					
	Subtotal	3,500	—	—	—	—	—
Total	7,000	—	—	—	—	—	

(Note 1) “Short-term” refers to borrowings with a period of less than or equal to one year from the drawdown date to the repayment date, and “Long-term” refers to borrowings with a period of more than one year from the drawdown date to the repayment date.

(Note 2) The base interest rate is the one-month Japanese Yen TIBOR published by the JBA (Japanese Bankers Association) TIBOR Administration two business days preceding the drawdown date or the last day of every month (if the relevant day is not a business day, the immediately preceding business day).

(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	Construction in progress	—	3,510	—	3,510	—	—	3,510	
	Buildings in trust	16,825,096	17,598	—	16,842,694	1,901,118	312,301	14,941,575	
	Structures in trust	5,640	—	—	5,640	4,192	517	1,447	
	Machinery and equipment in trust	—	2,136	—	2,136	106	106	2,029	
	Tools, furniture and fixtures in trust	4,522	9,931	—	14,454	1,007	630	13,446	
	Land in trust	85,644,447	—	—	85,644,447	—	—	85,644,447	
	Construction in progress in trust	34,560	675,714	34,560	675,714	—	—	675,714	(Note)
Subtotal	102,514,266	708,890	34,560	103,188,597	1,906,425	313,555	101,282,171		
Intangible assets	Software	3,000	—	—	3,000	1,430	300	1,570	
	Subtotal	3,000	—	—	3,000	1,430	300	1,570	
Total	102,517,266	708,890	34,560	103,191,597	1,907,855	313,855	101,283,741		

(Note) The increase during the period results from the down payment (675,714 thousand yen) for the real estate trust beneficiary interest acquired as of September 2, 2019.

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.	2,500,000	—	2,500,000	—	0.26300%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	500,000	—	0.26300%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	500,000	—	500,000	—	0.26300%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	500,000	—	0.26300%	Aug. 30, 2019	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	MUFG Bank, Ltd.	—	1,500,000	—	1,500,000	0.27545%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000	0.27545%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Banking Corporation	—	500,000	—	500,000	0.27545%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	500,000	—	500,000	0.27545%	Aug. 31, 2020	Lump-sum payment at maturity	(Note 4)	Unsecured /Non-guaranteed
	Total	4,000,000	3,000,000	4,000,000	3,000,000					
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	44,500,000	—	—	44,500,000					
Grand Total	48,500,000	3,000,000	4,000,000	47,500,000					

(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	7,000,000	12,500,000	5,000,000	5,500,000