

Summary of Financial Results (REIT) for Fiscal Period Ended February 28, 2021

April 22, 2021

REIT Securities Issuer	MORI TRUST Hotel Reit, Inc.	Stock Exchange Listing: Tokyo Stock Exchange
Securities Code:	3478	URL: http://www.mt-hotelreit.jp/en/
Representative:	Amane Sakamoto, Executive Director	
Asset Management Company:	MORI TRUST Asset Management Co., Ltd.	
Representative:	Michio Yamamoto, President and Representative Director	
Contact:	Nobuyuki Aizawa, General Manager, Strategic Management Department, Hotel REIT Management Division Tel: 03-6435-7011	

Scheduled date of submission of securities report: May 28, 2021

Scheduled date of commencement of cash distribution payment: May 26, 2021

Preparation of supplementary financial results briefing materials: Yes

Holding of financial results briefing session: No

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ended February 28, 2021 (from September 1, 2020 to February 28, 2021)

(1) Management Status (% figures are the rate of period-on-period increase (decrease))

Fiscal Period	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Feb. 2021	1,214	(31.4)	432	(56.2)	326	(63.0)	325	(63.1)
Ended Aug. 2020	1,770	(32.7)	988	(47.8)	881	(50.5)	880	(50.6)

Fiscal Period	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Ended Feb.2021	650	0.6	0.3	26.9
Ended Aug.2020	1,761	1.7	0.8	49.8

(2) Distributions Status

Fiscal Period	Distributions per Unit (excluding distributions in excess of earnings)	Total Distributions (excluding distributions in excess of earnings)	Distributions in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Distributions Payout Ratio	Distributions Ratio to Net Assets
	yen	million yen	yen	million yen	%	%
Ended Feb. 2021	651	325	-	-	100.2	0.6
Ended Aug. 2020	1,761	880	-	-	100.0	1.7

(3) Financial Position

Fiscal Period	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Unit
	million yen	million yen	%	yen
Ended Feb. 2021	109,303	50,325	46.0	100,651
Ended Aug. 2020	109,996	50,880	46.3	101,761

(4) Cash Flows Status

Fiscal Period	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Period
	million yen	million yen	million yen	million yen
Ended Feb. 2021	517	(21)	(880)	3,069
Ended Aug.2020	1,352	(36)	(2,306)	3,454

2. Management Status Forecast for Fiscal Period Ending August 31, 2021 (from March 1, 2021 to August 31, 2021)
Management Status Forecast for Fiscal Period Ending August 31, 2021 (from March 1, 2021 to August 31, 2021) has yet to be determined at this point because it is difficult to make a rational calculation of performance forecast as the global spread of COVID-19 has yet to cease. We will carefully assess the impact and aim to announce it in May 2021 or later.

* Others

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- | | |
|---|------|
| (i) Changes in accounting policies in accordance with amendments to accounting standards, etc.: | None |
| (ii) Changes in accounting policies other than (i): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Retrospective restatement: | None |

(2) Total number of Investment Units Issued and Outstanding

- | | |
|---|---------|
| (i) Total number of investment units issued and outstanding (including own investment units) at end of the period | |
| Fiscal period ended February 28, 2021 | 500,000 |
| Fiscal period ended August 31, 2020 | 500,000 |
| (ii) Number of own investment units at end of the period | |
| Fiscal period ended February 28, 2021 | 0 |
| Fiscal period ended August 31, 2020 | 0 |

* This financial report has not undergone any audit performed by a certified public accountant or auditing firm.

* Special Note

Not applicable.

○Table of Contents

1. Management Status	2
(1) Overview of the Fiscal Period Under Review	2
(2) Outlook for the Next Fiscal Period	3
(3) Material events related to going concern assumption	4
2. Financial statements	5
(1) Balance sheets	5
(2) Statements of income	7
(3) Statements of changes in net assets	8
(4) Statements of cash distributions	9
(5) Statements of cash flows	10
(6) Notes on going concern assumption	11
(7) Notes on matters concerning significant accounting policies	11
(8) Additional information	11
(9) Notes to financial statements	12
(10) Change in Total Number of Investment Units Issued and Outstanding	17
3. Reference Information	18
(1) Status of Investment	18
(2) Investment Assets	19

1. Management Status

(1) Overview of the Fiscal Period Under Review

(i) Major Change in MORI TRUST Hotel Reit

MORI TRUST Hotel Reit, Inc. (“MORI TRUST Hotel Reit”) was established with an investment amount of 100 million yen (1,000 units) on January 15, 2016, with MORI TRUST Hotel Asset Management Co., Ltd. (Note) as the organizer and Mori Trust Co., Ltd. (“Mori Trust”) and Mori Trust Hotels & Resorts Co., Ltd. (“Mori Trust Hotels & Resorts”) as the sponsors based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended), and registration with the Kanto Local Finance Bureau (Registration number: Kanto Local Finance Bureau Director-General No. 112) was completed on February 10, 2016.

After that, MORI TRUST Hotel Reit issued new investment units (499,000 units) by conducting capital increase through private placement on June 1, 2016, and was listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market on February 7, 2017 (Securities Code: 3478).

The total number of investment units issued and outstanding is 500,000 as of the end of the fiscal period under review.

(Note) An absorption-type merger with MORI TRUST Hotel Asset Management Co., Ltd. as the absorbed company and MORI TRUST Asset Management Co., Ltd. (the “Asset Management Company”) as the surviving company was conducted on March 1, 2019, and the assets of MORI TRUST Hotel Reit are managed by the Asset management Company after the merger.

(ii) Investment Environment and Management Results

Although the Japanese economy continues to be in a difficult circumstance due to the impact of the spread of COVID-19 in Japan and abroad, the economy is showing general signs of recovery. Despite this, the economy still has some weaknesses given the continued restraint on socioeconomic activity as a state of emergency was reissued in 11 prefectures in January 2021.

In the tourism industry, the number of foreigners visiting Japan in 2020 dropped significantly by 87.1% year on year (estimate by Japan National Tourism Organization) due to the quarantine measures implemented since February 2020 as a result of the impact of the COVID-19 pandemic, and the total number of overnight stays in 2020 declined by 48.9% year on year (preliminary figures of Overnight Travel Statistics Survey by Japan Tourism Agency) given the decline in domestic demand due to restraints on socioeconomic activities. On the other hand, domestic demand has shown signs of recovery due the Go To Travel campaign, which was launched by the Japanese government in July 2020 with the aim of stimulating recovery in travel demand and tourism-related consumption, among other factors. However, due to the subsequent spread of COVID-19, the Go To Travel campaign was temporarily suspended in November 2020 onwards, and with the reissuance of a state of emergency in January 2021, the situation remains difficult.

Under such an environment, MORI TRUST Hotel Reit continually held discussions with the hotel side to enhance profitability, upon understanding the business environment and operating conditions of each hotel at its owned properties on a monthly basis. Despite this, rent significantly declined year on year at hotels with variable rent.

As of the end of the fiscal period under review, MORI TRUST Hotel Reit owns five properties with a total acquisition price of 108,500 million yen, and its total number of guestrooms is 1,469 rooms.

Further, the Asset Management Company recognizes that efforts to improve sustainability such as environmental consideration, contribution to society, and strengthening corporate governance in asset management operations are essential for growing MORI TRUST Hotel Reit’s unitholder value in the medium to long term. As a result, it has established and implements the “Sustainability Policy.” In the fiscal year under review, measures were implemented to improve environmental performance by renovating facilities of owned properties for “E: Environmental”; charity events were held by hotel operators for “S: Society”; and compliance training was conducted for employees for “G: Governance.” MORI TRUST Hotel Reit participated in the GRESB Real Estate Assessment for the first time in 2020 and received “3 Stars” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won “Green Star” designation by achieving high performance both in “Management Component” that evaluates policies and organizational structure for ESG promotion and “Performance Component” that assesses environmental performance and tenant engagement of properties owned.

(iii) Overview of Financing

In the fiscal period under review, MORI TRUST Hotel Reit executed the borrowing of 3,000 million yen on November 2020 in order to repay existing loans of 3,000 million yen, which reached maturity.

As a result, the outstanding balance of interest-bearing debt as of the end of the fiscal period under review was 53,975 million yen, of which 5,975 million yen are short-term loans and 48,000 million yen are long-term loans (including 11,500 million yen of current portion of long-term loans payable). Moreover, the ratio of interest-bearing debt to total assets at the end of period was 49.4%.

(iv) Overview of Business Performance and Distribution

As a result of the above management, operating revenue was 1,214 million yen, operating income was 432 million yen, ordinary income was 326 million yen and net income was 325 million yen.

As for distributions, MORI TRUST Hotel Reit distributed the entire amount of unappropriated retained earnings excluding distributions per unit of less than 1 yen with an intent to include profit distributions in deductible expenses by applying the Special Provisions for Taxation System on Investment Corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). As a result, distributions per unit was 651 yen.

(2) Outlook for the Next Fiscal Period

(i) Investment Environment

After the declaration of the state of emergency is lifted, measures will be taken to prevent the spread of COVID-19 and raise the level of socioeconomic activities. As such, the Japanese economy is expected to continue to rally back due in part to the effects of various policies and improvement in overseas economies. However, there will be a need to closely monitor the impact of trends in infectious diseases in Japan and abroad, as well as fluctuations in financial and capital markets, etc. Once the effects of COVID-19 have subsided globally and overseas economies return to steady growth, the situation is expected to further improve.

In the tourism industry, a difficult business environment is expected to continue due to the significant decrease in foreigners visiting Japan because of the continued impact of the COVID-19 pandemic as well as the restraints on socioeconomic activities, etc. However, domestic demand is expected to gradually recover albeit with repeated waves of stagnation and improvement due to various policies such as raising the level of socioeconomic activities associated with improved infection prevention policies and widespread use of vaccines, and the resumption of the Go To Travel campaign, etc. On the other hand, restrictions on overseas travel in various countries will need to be lifted before demand for foreigners visiting Japan recovers.

Under such an environment, the business performance of the hotels owned by MORI TRUST Hotel Reit are expected to gradually recover by capturing domestic demand, including new demand for staycations, etc., and promoting efficiency in operating costs, upon implementing measures to prevent the spread of COVID-19.

(ii) Future Management Policy and Issues to Be Handled

With Mori Trust and Mori Trust Hotels & Resorts as its sponsors, MORI TRUST Hotel Reit plans to realize its growth strategies, making full use of the support of the Mori Trust Group, including the two sponsor companies.

As its internal growth strategy, MORI TRUST Hotel Reit will maximize the revenue of investment real estate by utilizing efficient operational know-how with the sponsor support from Mori Trust Hotels & Resorts as well as further strengthen the base of hardware, software and humanware and aim for stabilization and growth of revenue by conducting appropriate renovation and rebranding.

As its external growth strategy, MORI TRUST Hotel Reit will invest in competitive and high-quality hotels centering on international brand hotels with high recognition both inside and outside Japan.

In order to seize the opportunity for property acquisitions, MORI TRUST Hotel Reit has concluded an agreement concerning the provision of information on real estate, etc. with Mori Trust and the Asset Management Company, and established a structure to preferentially obtain information on sales of real estate, etc. which are “mainly used as hotels (accommodation facilities including hotels and inns as well as incidental facilities)” owned by Mori Trust Group. It will strive to acquire highly competitive properties and aim to achieve external growth by utilizing the information provided by Mori Trust Group and the Asset Management Company’s unique information-gathering ability.

With such efforts, MORI TRUST Hotel Reit intends to secure stable revenue and achieve steady growth of assets under management and aims to maximize unitholder value.

Furthermore, although it is difficult to forecast the impact of the COVID-19 pandemic, MORI TRUST Hotel Reit will closely monitor future trends and take appropriate action.

(iii) Financial Strategies, Etc.

MORI TRUST Hotel Reit aims to reduce refinancing risks and financing costs by establishing a solid and stable business relationship with leading financial institutions in Japan as well as intending to achieve the best mix of short-term and long-term loans, diversification of repayment dates and diversification of bank formation.

With respect to the ratio of interest-bearing debt to total assets, MORI TRUST Hotel Reit will set 60% as a target for the upper limit (however, LTV may exceed 60% temporarily due to the acquisition of new investment real estate, etc.) and conduct financial operation, with 50% as a target for the upper limit in normal time.

(iv) Significant Subsequent Events

Not applicable.

(v) Outlook of Management Status

Although the state of emergency declared by the Japanese government in January 2021 was lifted by March 2021, the global spread of COVID-19 has caused demand for hotel services to remain stagnant, including demand from domestic and foreign tourists, business travelers, and banquet hall users, etc. Although MORI TRUST Hotel Reit's revenue is impacted by the variable rent linked to hotel revenue, it is difficult to predict the impact that this will have at this point in time.

Therefore, Management Status Forecast for Fiscal Period Ending August 31, 2021 (from March 1, 2021 to August 31, 2021) has yet to be determined at this point because it is difficult to make a rational calculation of performance forecast. We will carefully assess the impact and aim to announce it in May 2021 or later.

Operating revenue	TBD
Operating income	TBD
Ordinary income	TBD
Net income	TBD
Distributions per unit	TBD
Distributions in excess of earnings per unit	TBD

(3) Material events related to going concern assumption

In the fiscal period under review, the SDSCR value (an index that determines the ability to pay principal and interest in a certain stress scenario. The same applies hereinafter.) fell below the standard value as it did in the previous fiscal period due to a decrease in operating income, etc. due to a decrease in rents based on the operating performance of hotels with variable rent caused by the impact of the COVID-19 pandemic. As a result, due to the borrowing agreements between MORI TRUST Hotel Reit and financial institutions, the consent of all lenders will continue to be required when obtaining new borrowings or issuing new investment corporation bonds, excluding refinancing. In addition, a certain amount was retained in the principal and interest reserve account as a result of the fact that the SDSCR value was below the standard value in the previous fiscal period, and a certain amount is expected to be additionally retained in the same way following the settlement of accounts for the fiscal period under review. Furthermore, if the SDSCR value remains below the standard value in the next fiscal year and beyond, additional measures such as making prepayments with the money reserved in the principal and interest reserve account, etc. may be taken. However, because the amount to be retained in the principal and interest reserve account is within the total amount of depreciation recorded in each fiscal year and does not conflict with the requirements stipulated in Article 67-15, Paragraph 1 (i) and (ii) of the Act on Special Measures Concerning Taxation (conduit requirements), the payment of interest on interest-bearing liabilities and operating costs, etc. of MORI TRUST Hotel Reit can be covered by fixed rents and minimum guaranteed rents, and because MORI TRUST Hotel Reit has a certain amount of cash on hand, it has been determined that this event is unlikely to have an immediate negative impact on the payment of interest on interest-bearing liabilities and operating costs, etc. Moreover, MORI TRUST Hotel Reit will continue to take measures to resolve this event as soon as possible including cost reductions through continuous discussions with hotel operators and attracting accommodation demand from domestic customers.

Based on the above, MORI TRUST Hotel Reit has determined that there is no significant uncertainty regarding the going concern assumption.

2. Financial statements

(1) Balance sheets

(Thousands of yen)

	Previous fiscal period (as of August 31, 2020)	Current fiscal period (as of February 28, 2021)
Assets		
Current assets		
Cash and deposits	2,677,922	2,147,750
Cash and deposits in trust	776,211	921,761
Operating accounts receivable	1,752	3,825
Prepaid expenses	1,381	16,279
Total current assets	3,457,268	3,089,617
Non-current assets		
Property and equipment		
Machinery and equipment	7,645	8,803
Accumulated depreciation	(401)	(943)
Machinery and equipment, net	7,243	7,860
Tools, furniture and fixtures	37,281	40,322
Accumulated depreciation	(4,854)	(7,408)
Tools, furniture and fixtures, net	32,426	32,914
Buildings in trust	20,570,910	20,598,556
Accumulated depreciation	(2,616,842)	(2,975,800)
Buildings in trust, net	17,954,068	17,622,756
Structures in trust	8,590	8,590
Accumulated depreciation	(4,676)	(4,959)
Structures in trust, net	3,914	3,630
Machinery and equipment in trust	5,034	5,034
Accumulated depreciation	(486)	(744)
Machinery and equipment in trust, net	4,548	4,290
Tools, furniture and fixtures in trust	15,851	17,801
Accumulated depreciation	(3,205)	(4,391)
Tools, furniture and fixtures in trust, net	12,645	13,410
Land in trust	88,512,726	88,512,726
Total property and equipment	106,527,572	106,197,587
Intangible assets		
Software	1,199	874
Total intangible assets	1,199	874
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	—	5,383
Deferred tax assets	18	10
Total investments and other assets	10,018	15,394
Total non-current assets	106,538,789	106,213,856
Total assets	109,996,057	109,303,473

(Thousands of yen)

	Previous fiscal period (as of August 31, 2020)	Current fiscal period (as of February 28, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	112,356	18,782
Short-term loans payable	5,975,000	*2 5,975,000
Current portion of long-term loans payable	7,000,000	*2 11,500,000
Accounts payable	112,319	105,574
Accrued expenses	49,592	47,007
Distribution payable	3,383	3,197
Income taxes payable	979	824
Accrued consumption taxes	130,209	7,071
Advances received	176,435	265,525
Deposits received	582	404
Total current liabilities	13,560,859	17,923,387
Non-current liabilities		
Long-term loans payable	41,000,000	*2 36,500,000
Tenant leasehold and security deposits	4,554,473	4,554,473
Other non-current liabilities	9	1
Total non-current liabilities	45,554,483	41,054,474
Total liabilities	59,115,342	58,977,862
Net assets		
Unitholders' equity		
Unitholders' capital	50,000,000	50,000,000
Surplus		
Unappropriated retained earnings	880,715	325,611
Total surplus	880,715	325,611
Total unitholders' equity	50,880,715	50,325,611
Total net assets	*1 50,880,715	*1 50,325,611
Total liabilities and net assets	109,996,057	109,303,473

(2) Statements of income

(Thousands of yen)

	Previous fiscal period (March 1, 2020 – August 31, 2020)		Current fiscal period (September 1, 2020 – February 28, 2021)	
Operating revenues				
Rental revenues	*1	1,768,455	*1	1,211,834
Other rental revenues	*1	2,264	*1	2,231
Total operating revenues		1,770,720		1,214,065
Operating expenses				
Rental expenses	*1	651,187	*1	655,828
Asset management fee		91,733		86,429
Asset custody and administrative service fees		12,370		12,617
Directors' compensations		3,600		3,600
Other operating expenses		23,751		22,856
Total operating expenses		782,642		781,331
Operating income		988,077		432,733
Non-operating income				
Interest income		21		16
Reversal of distributions payable		2,830		482
Interest on refund		616		—
Other		40		—
Total non-operating income		3,507		498
Non-operating expenses				
Interest expenses		109,919		106,981
Other		—		20
Total non-operating expenses		109,919		107,002
Ordinary income		881,665		326,229
Income before income taxes		881,665		326,229
Income taxes - current		983		826
Income taxes - deferred		(11)		7
Total income taxes		971		834
Net income		880,694		325,395
Retained earnings brought forward		21		215
Unappropriated retained earnings		880,715		325,611

(3) Statements of changes in net assets

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

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of current period	50,000,000	1,781,521	1,781,521	51,781,521	51,781,521
Changes of items during period					
Distribution of retained earnings		(1,781,500)	(1,781,500)	(1,781,500)	(1,781,500)
Net income		880,694	880,694	880,694	880,694
Total changes of items during period	—	(900,805)	(900,805)	(900,805)	(900,805)
Balance at end of current period	*1 50,000,000	880,715	880,715	50,880,715	50,880,715

Current fiscal period (September 1, 2020 – February 28, 2021)

(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	880,715	880,715	50,880,715	50,880,715
Changes of items during period					
Distribution of retained earnings		(880,500)	(880,500)	(880,500)	(880,500)
Net income		325,395	325,395	325,395	325,395
Total changes of items during period	—	(555,104)	(555,104)	(555,104)	(555,104)
Balance at end of current period	*1 50,000,000	325,611	325,611	50,325,611	50,325,611

(4) Statements of cash distributions

(Yen)

	Previous fiscal period (March 1, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
I. Unappropriated retained earnings	880,715,669	325,611,470
II. Distributions (Distributions per unit)	880,500,000 (1,761)	325,500,000 (651)
III. Retained earnings brought forward	215,669	111,470
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 ¥880,500,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 500,000, which is the number of investment units issued and outstanding.	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 ¥325,500,000, 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, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
Cash flows from operating activities		
Income before income taxes	881,665	326,229
Depreciation	363,150	364,105
Interest income	(21)	(16)
Interest expenses	109,919	106,981
Decrease (increase) in operating accounts receivable	(1,752)	(2,073)
Decrease (increase) in consumption taxes receivable	169,524	—
Decrease (increase) in prepaid expenses	5,891	(14,898)
Decrease (increase) in long-term prepaid expenses	—	(5,383)
Increase (decrease) in operating accounts payable	109,330	(105,683)
Increase (decrease) in accounts payable	2,698	(6,745)
Increase (decrease) in accrued consumption taxes	130,209	(123,137)
Increase (decrease) in advances received	(305,636)	89,090
Other, net	(2,879)	(668)
Subtotal	1,462,099	627,801
Interest income received	21	16
Interest expenses paid	(108,961)	(109,566)
Income taxes paid	(735)	(982)
Net cash provided by operating activities	1,352,423	517,268
Cash flows from investing activities		
Purchase of property and equipment	(7,645)	(4,199)
Purchase of property and equipment in trust	(29,069)	(17,486)
Purchase of intangible assets	(250)	—
Net cash used in investing activities	(36,964)	(21,686)
Cash flows from financing activities		
Proceeds from short-term loans payable	5,975,000	—
Repayments of short-term loans payable	(6,500,000)	—
Proceeds from long-term loans payable	—	3,000,000
Repayments of long-term loans payable	—	(3,000,000)
Distributions paid	(1,781,055)	(880,203)
Net cash provided by (used in) financing activities	(2,306,055)	(880,203)
Net increase (decrease) in cash and cash equivalents	(990,595)	(384,622)
Cash and cash equivalents at beginning of period	4,444,729	3,454,134
Cash and cash equivalents at end of period	*1 3,454,134	*1 3,069,511

(6) Notes on going concern assumption

Not applicable.

(7) Notes on matters concerning significant accounting policies

1. Method of depreciation of non-current assets	(1) Property and equipment (including trust accounts) The straight-line method is used. The useful lives of major property and equipment components are as follows: Machinery and equipment 8 to 10 years Tools, furniture and fixtures 4 to 15 years Buildings in trust 6 to 72 years Structures in trust 2 to 15 years Machinery and equipment in trust 8 to 10 years Tools, furniture and fixtures in trust 3 to 15 years (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).
2. Recognition of revenue and expenses	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.
3. Scope of cash and cash equivalents in the statements of cash flows	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.
4. Accounting treatment of trust beneficiary interests in real estate, etc.	For trust beneficiary interests in real estate owned by MORI TRUST Hotel Reit, Inc., all accounts of assets and liabilities within the assets in trust as well as all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheets and statements of income. The following assets in trust recognized in the relevant accounts are presented separately on the balance sheets due to their materiality. (1) Cash and deposits in trust (2) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and land in trust
5. Accounting treatment of consumption taxes, etc.	Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(8) Additional information

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

Although the state of emergency by the government was declared in January 2021 and lifted by March 2021, demand by hotel services for domestic and foreign tourists, business guests, banquets, etc. is still weak due to the worldwide spread of the novel coronavirus (COVID-19).

Under such circumstances, in the course of real estate rental business of MORI TRUST Hotel Reit, Inc., variable rents based on hotel operating performance have decreased significantly.

The timing of the convergence of COVID-19 is uncertain and difficult to estimate. MORI TRUST Hotel Reit, Inc. made estimate on accounting to apply accounting for impairment of non-current assets based on assumptions that impact by COVID-19 will continue through fiscal period ending August 31, 2021 (from March 1, 2021 to August 31, 2021) and gradually recover after certain period of time.

Since it is difficult to predict with certainty when the spread of COVID-19 will be eliminated and the extent of the impact, any change in the spread of COVID-19 and impact on the economy may affect the status of asset, profit and loss, cash flow of MORI TRUST Hotel Reit, Inc.

(9) Notes to financial statements

[Notes to Balance Sheets]

	Previous fiscal period (as of August 31, 2020)	Current fiscal period (as of February 28, 2021)
*1 Minimum net assets as provided in Article 67, paragraph 4 of the Investment Trust Law	50,000 thousand yen	50,000 thousand yen
*2 Financial Covenants	—	Due to the impact of the COVID-19 pandemic, the SDSCR value (an index that determines the ability to pay principal and interest in a certain stress scenario) fell below the standard value. As a result, MORI TRUST Hotel Reit has retained a certain amount within the range of depreciation recorded in the previous fiscal year in the principal and interest reserve account in accordance with the borrowing agreement between MORI TRUST Hotel Reit and financial institutions, and it also plans to retain a certain amount within the range of depreciation recorded in the current fiscal year. If the SDSCR value remains below the standard value in the next fiscal year and beyond, prepayments could be made using the money reserved in the relevant principal and interest reserve account.

[Notes to Statements of income]

(Thousands of yen)

	Previous fiscal period (March 1, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
*1 Breakdown of real estate rental income	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 1,768,455</p> <p>Other rental revenues</p> <p>Others 2,264</p> <p>Total real estate rental revenues 1,770,720</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 280,361</p> <p>Insurance expenses 4,578</p> <p>Repairs and maintenance expenses 2,447</p> <p>Depreciation 362,850</p> <p>Other rental expenses 950</p> <p>Total real estate rental expenses 651,187</p> <p>C. Real estate rental income (A – B) 1,119,533</p>	<p>A. Real estate rental revenues</p> <p>Rental revenues</p> <p>Rent 1,211,834</p> <p>Other rental revenues</p> <p>Others 2,231</p> <p>Total real estate rental revenues 1,214,065</p> <p>B. Real estate rental expenses</p> <p>Rental expenses</p> <p>Property and other taxes 280,357</p> <p>Insurance expenses 5,394</p> <p>Repairs and maintenance expenses 5,321</p> <p>Depreciation 363,805</p> <p>Other rental expenses 950</p> <p>Total real estate rental expenses 655,828</p> <p>C. Real estate rental income (A – B) 558,237</p>

[Notes to Statements of changes in net assets]

	Previous fiscal period (March 1, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
*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, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
*1 Reconciliation between cash and cash equivalents at the end of period and relevant amounts on the balance sheets	(as of August 31, 2020)	(as of February 28, 2021)
	Cash and deposits 2,677,922	Cash and deposits 2,147,750
	Cash and deposits in trust 776,211	Cash and deposits in trust 921,761
	Cash and cash equivalents 3,454,134	Cash and cash equivalents 3,069,511

[Notes on Lease Transactions]

Operating lease transactions (Lessor)

Future lease payments

(Thousands of yen)

	Previous fiscal period (as of August 31, 2020)	Current fiscal period (as of February 28, 2021)
Due within 1 year	1,304,673	1,304,673
Due after 1 year	7,828,040	7,175,703
Total	9,132,713	8,480,376

[Notes on 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, 2020 are as shown below. Financial instruments whose fair values are considered to be extremely difficult to determine are not included in the table below (Note 2).

(Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	2,677,922	2,677,922	—
(2) Cash and deposits in trust	776,211	776,211	—
Total assets	3,454,134	3,454,134	—
(1) Short-term loans payable	5,975,000	5,975,000	—
(2) Current portion of long-term loans payable	7,000,000	7,008,112	8,112
(3) Long-term loans payable	41,000,000	41,142,377	142,377
Total liabilities	53,975,000	54,125,489	150,489

Balance sheet carrying amounts, fair values, and the differences between them as of February 28, 2021 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	2,147,750	2,147,750	—
(2) Cash and deposits in trust	921,761	921,761	—
Total assets	3,069,511	3,069,511	—
(1) Short-term loans payable	5,975,000	5,975,000	—
(2) Current portion of long-term loans payable	11,500,000	11,524,819	24,819
(3) Long-term loans payable	36,500,000	36,599,282	99,282
Total liabilities	53,975,000	54,099,102	124,102

(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, 2020)	Current fiscal period (as of February 28, 2021)
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, 2020)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	2,677,922	—	—	—	—	—
Cash and deposits in trust	776,211	—	—	—	—	—
Total	3,454,134	—	—	—	—	—

Redemption schedule for monetary claims after balance sheet date (as of February 28, 2021)

(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	2,147,750	—	—	—	—	—
Cash and deposits in trust	921,761	—	—	—	—	—
Total	3,069,511	—	—	—	—	—

(Note 4) Expected amount of repayments of loans after balance sheet date (as of August 31, 2020)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	5,975,000	—	—	—	—	—
Current portion of long-term loans payable	7,000,000	—	—	—	—	—
Long-term loans payable	—	14,500,000	10,500,000	12,500,000	2,500,000	1,000,000
Total	12,975,000	14,500,000	10,500,000	12,500,000	2,500,000	1,000,000

Expected amount of repayments of loans after balance sheet date (as of February 28, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	5,975,000	—	—	—	—	—
Current portion of long-term loans payable	11,500,000	—	—	—	—	—
Long-term loans payable	—	13,500,000	14,500,000	5,000,000	2,500,000	1,000,000
Total	17,475,000	13,500,000	14,500,000	5,000,000	2,500,000	1,000,000

[Notes on Related Party Transactions]

1. Parent company and major corporate unitholders, etc.

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

Not applicable.

Current fiscal period (September 1, 2020 – February 28, 2021)

Not applicable.

2. Affiliated companies, etc.

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

Not applicable.

Current fiscal period (September 1, 2020 – February 28, 2021)

Not applicable.

3. Sister companies, etc.

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

Attribute	Name	Location	Capital stock (Thousands of yen)	Business or occupation	Ownership ratio of units, etc.	Nature of relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Balance at the end of the period (Thousands of yen)
						Concurrent officers, etc.	Business relationship				
Subsidiary of other related company	Mori Trust Co., Ltd.	Minato-ku, Tokyo	30,000,000	Real estate business	—	None	Leasing and management of real estate	Leasing of real estate	914,200	Advances received	33,272
										Tenant leasehold and security deposits	3,281,000
Subsidiary of other related company	MT & Hilton Hotel Co., Ltd.	Minato-ku, Tokyo	20,000	Hotel management	—	None	Leasing and management of real estate	Leasing of real estate	201,918	Advances received	28,960
Subsidiary of other related company	MORI TRUST Asset Management Co., Ltd.	Minato-ku, Tokyo	400,000	Management of assets of investment corporation	—	One concurrently serving officer	Asset management company	Payment of asset management fee	91,733	Accounts payable	100,906

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

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

Current fiscal period (September 1, 2020 – February 28, 2021)

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	401,529	Advances received	122,415
										Tenant leasehold and security deposits	3,281,000
Subsidiary of other related company	MT & Hilton Hotel Co., Ltd.	Minato-ku, Tokyo	20,000	Hotel management	—	None	Leasing and management of real estate	Leasing of real estate	157,967	Advances received	28,907
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	86,429	Accounts payable	95,072

(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, 2020 – August 31, 2020)

Not applicable.

Current fiscal period (September 1, 2020 – February 28, 2021)

Not applicable.

[Notes on Tax Effect Accounting]

(Thousands of yen)

	Previous fiscal period (as of August 31, 2020)	Current fiscal period (as of February 28, 2021)
1. Significant components of deferred tax assets and liabilities	(Deferred tax assets) Accrued enterprise tax <u>18</u> Total deferred tax assets <u>18</u> Net deferred tax assets <u>18</u>	(Deferred tax assets) Accrued enterprise tax <u>10</u> Total deferred tax assets <u>10</u> Net deferred tax assets <u>10</u>
2. Reconciliation of difference between the statutory tax rate and the effective tax rate after application of tax effect accounting	Statutory tax rate 31.46% (Adjustments) Deductible distributions (31.42%) Other <u>0.07%</u> Effective tax rate after application of tax accounting 0.11%	Statutory tax rate 31.46% (Adjustments) Deductible distributions (31.39%) Other <u>0.19%</u> Effective tax rate after application of tax accounting 0.26%

[Notes on 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, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
Hotel	Balance sheet carrying amount	
	Balance at beginning of period	106,878,798
	Changes during period	(350,997)
	Balance at end of period	106,527,801
	Fair value at end of period	124,750,000
		124,900,000

(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 (11,852 thousand yen), and the main reason for the decrease during the previous period is depreciation (362,850 thousand yen). The main reason for the increase during the current period is the capital expenditure (33,796 thousand yen), and the main reason for the decrease during the current period is depreciation (363,805 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.”

[Notes on Per Unit Information]

Previous fiscal period (March 1, 2020 – August 31, 2020)		Current fiscal period (September 1, 2020 – February 28, 2021)	
Net assets per unit	101,761yen	Net assets per unit	100,651yen
Net income per unit	1,761yen	Net income per unit	650yen
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, 2020 – August 31, 2020)	Current fiscal period (September 1, 2020 – February 28, 2021)
Net income (Thousands of yen)	880,694	325,395
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	880,694	325,395
Average number of investment units for the period (Units)	500,000	500,000

[Notes on Significant Subsequent Events]

Not applicable.

[Omission of disclosure]

Notes on securities, derivative transactions, retirement benefits, gain and loss on equity method, etc., asset retirement obligations and segment information, etc. are omitted as their disclosure in this report is not of material importance.

(10) Change in Total Number of Investment Units Issued and Outstanding

The change in the total number of investment units issued and outstanding and the total investment amount since the establishment of MORI TRUST Hotel Reit is as follows.

Date	Outline	Total number of investment units issued and outstanding (Units)		Total investment amount (Thousands of yen)		Remarks
		Change	Balance	Change	Balance	
January 15, 2016	Establishment of private REIT	1,000	1,000	100,000	100,000	(Note 1)
June 1, 2016	Capital increase through private placement	499,000	500,000	49,900,000	50,000,000	(Note 2)

(Note 1) MORI TRUST Hotel Reit was established at an issue price of 100,000 yen per unit.

(Note 2) MORI TRUST Hotel Reit issued investment units for the purpose of procuring funds for future property acquisitions at an issue price of 100,000 yen per unit.

3. Reference Information

(1) Status of Investment

The status of investment by MORI TRUST Hotel Reit as of the end of the fiscal period under review is as follows.

Asset type	Use	Area	Property name	Total amount held (Millions of yen) (Note 1)	Ratio to total assets (%) (Note 2)
Real estate trust beneficiary interest	Hotel	Major cities in Japan (23 wards of Tokyo and government-ordinance-designated cities)	Shangri-La Hotel, Tokyo	41,279	37.8
		Famous tourist areas	Hilton Odawara Resort & Spa	6,436	5.9
		Major cities in Japan (23 wards of Tokyo and government-ordinance-designated cities)	Courtyard by Marriott Tokyo Station	13,469	12.3
		Major cities in Japan (23 wards of Tokyo and government-ordinance-designated cities)	Courtyard by Marriott Shin-Osaka Station	17,255	15.8
		Major cities in Japan (23 wards of Tokyo and government-ordinance-designated cities)	Hotel Sunroute Plaza Shinjuku	27,716	25.4
Deposits and other assets (Note 3)				3,146	2.9
Total assets (Note 4)				109,303	100.0

	Amount (Millions of yen)	Ratio to total assets (%)
Total liabilities (Note 4)	58,977	54.0
Total net assets (Note 4)	50,325	46.0

(Note 1) "Total amount held" is the amount recorded on the balance sheet as of the end of the fiscal period under review (book value after depreciation for trust beneficiary interests with real estate and real estate, etc. as main trust assets), rounded down to the nearest million yen in accordance with the asset valuation method stipulated in the Articles of Incorporation.

(Note 2) "Ratio to total assets" is the ratio of the total amount held of each asset to total assets, rounded to the nearest decimal place.

(Note 3) "Deposits and other assets" include machinery and equipment, tools, furniture and fixtures, and software.

(Note 4) "Total assets," "Total liabilities" and "Total net assets" are the amounts recorded on the balance sheet as of the end of the fiscal period under review, rounded down to the nearest million yen.

(2) Investment Assets

(i) Major Investment Securities

Not applicable.

(ii) Investment Real Estate Properties

Not applicable. Moreover, the information on real estate which are trust assets under trust beneficiary interests owned by MORI TRUST Hotel Reit as of the end of the fiscal period under review is described in “(iii) Major Assets Among Other Investment Assets” below.

(iii) Major Assets Among Other Investment Assets

The overview of real estate which are trust assets under trust beneficiary interests owned by MORI TRUST Hotel Reit as of the end of the fiscal period under review is as follows.

(a) Overview of Owned Assets

The property name, acquisition price, carrying amount, real estate appraisal value and investment ratio of the owned assets are as follows.

Category	Property No. (Note 1)	Property name	Acquisition price (Millions of yen) (Note 2)	Carrying amount (Millions of yen) (Note 3)	Real estate appraisal value (Millions of yen) (Note 4)	Investment ratio (%) (Note 5)
Luxury	A-1	Shangri-La Hotel, Tokyo	42,000	41,279	49,500	38.7
	Subtotal		42,000	41,279	49,500	38.7
Upper upscale	B-1	Hilton Odawara Resort & Spa (Note 6)	6,500	6,476	6,900	6.0
	Subtotal		6,500	6,476	6,900	6.0
Upscale	C-1	Courtyard by Marriott Tokyo Station	13,800	13,469	18,200	12.7
	C-2	Courtyard by Marriott Shin-Osaka Station	17,600	17,255	17,800	16.2
	Subtotal		31,400	30,725	36,000	28.9
Upper midscale	D-1	Hotel Sunroute Plaza Shinjuku	28,600	27,716	32,500	26.4
	Subtotal		28,600	27,716	32,500	26.4
Total			108,500	106,197	124,900	100.0

(Note 1) “Property number” is categorized into “luxury,” “upper upscale,” “upscale” or “upper midscale” depending on the grade of asset in which MORI TRUST Hotel Reit invests, and each is assigned an alphabetical letter of “A,” “B,” “C” or “D” as well as a number. The same applies hereinafter.

(Note 2) “Acquisition price” is the purchase price of each property shown in the sale and purchase agreement. The purchase price does not include consumption tax and local consumption tax as well as the expenses required for the acquisition.

(Note 3) “Carrying amount” includes real estate in trust as well as the amount of machinery and equipment, tools, furniture and fixtures, and software, and is rounded down to the nearest million yen.

(Note 4) “Real estate appraisal value” is the appraisal value shown in the real estate appraisal report with the end of the fiscal period under review as the valuation date.

(Note 5) “Investment ratio” is the ratio of the acquisition price of each property to the total acquisition price, rounded to the nearest one decimal place.

(Note 6) The acquisition price and real estate appraisal value for Hilton Odawara Resort & Spa are the figures equivalent to 50% quasi-co-ownership interest in the Hilton Odawara Resort & Spa owned by MORI TRUST Hotel Reit.

(b) Overview of Buildings, Etc. of Owned Assets

Category	Property No.	Property name	Location	Land area (m ²) (Note 1)	Floor area (m ²) (Note 2)	Completion of construction	Annual fixed rent (Millions of yen) (Note 3)	Leasable area (m ²)	Leased area (m ²)	Number of tenants (sublease) (Note 4)	Number of guestrooms (Rooms)
Luxury	A-1	Shangri-La Hotel, Tokyo	Chiyoda-ku, Tokyo	12,026.77	180,335.11	November 2008	882	22,755.55	22,755.55	1 (1)	200 (Note5)
	Subtotal			12,026.77	180,335.11	—	882	22,755.55	22,755.55	1 (1)	200
Upper upscale	B-1	Hilton Odawara Resort & Spa	Odawara-shi, Kanagawa	174,566.00	50,605.67	October 1997 (Note 6)	—	25,302.84 (Note 7)	25,302.84 (Note 7)	1 (0)	163 (Note8)
	Subtotal			174,566.00	50,605.67	—	—	25,302.84	25,302.84	1 (0)	163
Upscale	C-1	Courtyard by Marriott Tokyo Station	Chuo-ku, Tokyo	4,399.47	51,242.93	February 2014	310	5,620.38	5,620.38	1 (1)	150
	C-2	Courtyard by Marriott Shin-Osaka Station	Yodogawa-ku, Osaka	2,199.34	17,002.28	March 1997	460	13,881.48 (Note 9)	13,881.48 (Note 9)	1 (1)	332 (Note 10)
	Subtotal			6,598.81	68,245.21	—	770	19,501.86	19,501.86	2 (2)	482
Upper midscale	D-1	Hotel Sunroute Plaza Shinjuku	Shibuya-ku, Tokyo	3,136.57	20,451.25	August 2007	1,304	21,248.23	21,248.23	1 (0)	624
	Subtotal			3,136.57	20,451.25	—	1,304	21,248.23	21,248.23	1 (0)	624
Total				196,328.15	319,637.24	—	2,957	88,808.48	88,808.48	5 (3)	1,469

(Note 1) The land area of Shangri-La Hotel, Tokyo is the total of five parcels of land comprising the site of the building and thus includes area owned by other unit owners. The portion of the right of site owned by MORI TRUST Hotel Reit in the trust beneficiary interest is 10,464/100,000.

For the land area of the Hilton Odawara Resort & Spa, the area of the entire site of the building is stated. The quasi-co-ownership interest in the Hilton Odawara Resort & Spa owned by MORI TRUST Hotel Reit is 50%.

The land area of the Courtyard by Marriott Tokyo Station is the area of the site of the building and the co-ownership interests of other parties are included. The percentage of the right of site of the trustee of trust with MORI TRUST Hotel Reit is 5,205/100,000.

The land area of the Courtyard by Marriott Shin-Osaka Station is the area of the site of the building and the co-ownership interests of other parties are included. The interest in the Courtyard by Marriott Shin-Osaka Station owned by MORI TRUST Hotel Reit is 74%.

The land areas of each property are the areas written in the registration book.

(Note 2) The building of Shangri-La Hotel, Tokyo is a unit ownership building, but the total floor area of the entire building of MARUNOUCHI TRUST TOWER MAIN and MARUNOUCHI TRUST TOWER NORTH is stated. The floor area of the exclusive element owned by the trustee with MORI TRUST Hotel Reit as the sole beneficiary is 22,300.31 m² (area written in the registration book).

For the building area of the Hilton Odawara Resort & Spa, the grand total of total floor area for the entire buildings of the Hilton Odawara Resort & Spa is stated. The quasi-co-ownership interest in the Hilton Odawara Resort & Spa owned by MORI TRUST Hotel Reit is 50%.

The building of Courtyard by Marriott Tokyo Station is a unit ownership building, but the total floor area of the entire building including this building is stated. The floor area of the exclusive element owned by the trustee with MORI TRUST Hotel Reit is 5,502.63 m² (area written in the registration book).

For the building area of the Courtyard by Marriott Shin-Osaka Station, the total floor area of the entire building is stated. The trust beneficiary interest in the Courtyard by Marriott Shin-Osaka Station owned by MORI TRUST Hotel Reit is 74%.

(Note 3) In the lease agreements concluded for the above properties, the entire rent of Hotel Sunroute Plaza Shinjuku is fixed rent, the entire rent of Hilton Odawara Resort & Spa is variable rent, and the rents of Shangri-La Hotel, Tokyo, Courtyard by Marriott Tokyo Station and Courtyard by Marriott Shin-Osaka Station consist of variable rent and minimum guaranteed rent. "Annual fixed rent" shows the fixed rent and minimum guaranteed rent (annual amount), rounded down to the nearest million yen.

(Note 4) The subtotal and total of the number of tenants (sublease) indicate the total number of tenants, and the figures in parenthesis indicate the number of

people subleasing properties from those leasing the said properties from MORI TRUST Hotel Reit based on lease agreements effective as of the end of the fiscal period under review.

(Note 5) The figure indicates the number of guestrooms available for sale.

(Note 6) The completion of construction for each building of the Hilton Odawara Resort & Spa, the main buildings for business use (the main facility, bade facility and sports facility) is stated. The completion of construction for the chapel, the other main building for business use, is October 2004.

(Note 7) For the leasable area and leased area of the Hilton Odawara Resort & Spa, the area obtained by multiplying the leasable area and leased area of the entire building, 50,605.67 m², by 50%, the quasi-co-ownership interest of MORI TRUST Hotel Reit, is stated. The value is rounded to the nearest second decimal place.

(Note 8) The total number of guestrooms at the Hilton Odawara Resort & Spa in the entire building is stated. The quasi-co-ownership interest in the Hilton Odawara Resort & Spa owned by MORI TRUST Hotel Reit is 50%

(Note 9) For the leasable area and leased area of Courtyard by Marriott Shin-Osaka Station, the area obtained by multiplying the leased area of the entire building, 18,758.75 m², by 74%, the trust beneficiary interest of MORI TRUST Hotel Reit, is stated according to “74% of 18,758.75 m²,” the leased area specified in the lease agreement. The value is rounded to the nearest second decimal place.

(Note 10) Since the total number of guestrooms at Courtyard by Marriott Shin-Osaka Station indicates the total number of guestrooms of the entire building, it includes the rooms under co-ownership by other owners. The trust beneficiary interest in the Courtyard by Marriott Shin-Osaka Station owned by MORI TRUST Hotel Reit is 74%.

(c) Overview of Real Estate Appraisal Report

The real estate appraisal report is a judgment and opinion of the appraisal agency which is the appraiser at a certain point in time, and does not guarantee the validity and accuracy of the content as well as the possibility of transactions at said appraisal value. Moreover, there is no special interest between the appraisal agency and MORI TRUST Hotel Reit or the Asset Management Company.

Category	Property No.	Property name	Appraisal agency (Note 1)	Appraisal value (Millions of yen) (Note 2)	Appraisal value by capitalization method				
					Indicated value by the direct capitalization method (Millions of yen)	Capitalization Rate (%)	Indicated value by the discounted cash flow (DCF) method (Millions of yen)	Discount rate (%)	Terminal Capitalization rate (%)
Luxury	A-1	Shangri-La Hotel, Tokyo	J	49,500	51,000	3.2	47,900	2.9	3.4
	Subtotal			49,500	51,000	—	47,900	—	—
Upper upscale	B-1	Hilton Odawara Resort & Spa (Note 3)	R	6,900	7,200	4.7	6,750	4.5	4.8
	Subtotal			6,900	7,200	—	6,750	—	—
Upscale	C-1	Courtyard by Marriott Tokyo Station	J	18,200	18,700	3.7	17,700	3.4	3.9
	C-2	Courtyard by Marriott Shin-Osaka Station	J	17,800	18,300	4.2	17,300	3.9	4.4
	Subtotal			36,000	37,000	—	35,000	—	—
Upper midscale	D-1	Hotel Sunroute Plaza Shinjuku	J	32,500	33,100	3.5	31,800	3.3	3.7
	Subtotal			32,500	33,100	—	31,800	—	—
Total				124,900	128,300	—	121,450	—	—

(Note 1) “Appraisal agency” is abbreviated in the above chart. The abbreviation of the appraisal agency is as follows.

J: Japan Real Estate Institute

R: Richi Appraisal Institute

(Note 2) “Appraisal value” is the appraisal value shown in the real estate appraisal report with the end of the fiscal period under review as the valuation date.

(Note 3) The appraisal value and indicated value by the direct capitalization method and by the discounted cash flow (DCF) method for Hilton Odawara Resort & Spa indicate the figures equivalent to 50% quasi-co-ownership interest in the Hilton Odawara Resort & Spa owned by MORI TRUST Hotel Reit.

(d) Information on Major Real Estate

The real estate whose total annual rent accounts for 10% or more of the total amount of the entire annual rent are as follows.

Property name	Number of tenants	Annual fixed rent (Millions of yen) (Note 1)	Leasable area (m ²)	Leased area (m ²)	Change in occupancy rate over the past 5 years (%) (Note 2)
Shangri-La Hotel, Tokyo	1	882	22,755.55	22,755.55	100.0
Courtyard by Marriott Tokyo Station	1	310	5,620.38	5,620.38	100.0
Courtyard by Marriott Shin-Osaka Station	1	460	13,881.48 (Note 3)	13,881.48 (Note 3)	100.0
Hotel Sunroute Plaza Shinjuku	1	1,304	21,248.23	21,248.23	100.0

(Note 1) In the lease agreements concluded for the above properties, the entire rent of Hotel Sunroute Plaza Shinjuku is fixed rent, and the rents of Shangri-La Hotel, Tokyo, Courtyard by Marriott Tokyo Station and Courtyard by Marriott Shin-Osaka Station consist of variable rent and minimum guaranteed rent. “Annual fixed rent” shows the fixed rent and minimum guaranteed rent (annual amount), rounded down to the nearest million yen.

(Note 2) The occupancy rate is 100% as there is only one tenant (single tenant) at all the properties during the target period (since opening when opened during the target period).

(Note 3) For the leasable area and leased area of Courtyard by Marriott Shin-Osaka Station, the area obtained by multiplying the leased area of the entire building, 18,758.75 m², by 74%, the trust beneficiary interest of MORI TRUST Hotel Reit, is stated according to “74% of 18,758.75 m²,” the leased area specified in the lease agreement. The value is rounded to the nearest second decimal place.

(e) Information on Major Tenants

The overview of tenants whose leased area accounts for 10% or more of the total leased area is as follows.

Tenant name	Type of industry	Property name	Type of contract	Expiration date	Annual fixed rent (Millions of yen) (Note 1)	Ratio of rent (%) (Note2)	Leased area (m ²)	Area ratio (%)
Mori Trust Co., Ltd.	Real estate	Shangri-La Hotel, Tokyo	Fixed-term lease agreement	November 30, 2033	882	29.8	22,755.55	25.6
		Courtyard by Marriott Tokyo Station	Fixed-term lease agreement	April 1, 2039	310	10.5	5,620.38	6.3
		Courtyard by Marriott Shin-Osaka Station	Fixed-term lease agreement	November 1, 2040	460	15.6	13,881.48 (Note 3)	15.6
MT & Hilton Hotel Co., Ltd.	Hotel	Hilton Odawara Resort & Spa	Fixed-term lease agreement	December 31, 2049	—	—	25,302.84 (Note 4)	28.5
Sotetsu Hotel Management Co., Ltd.	Hotel	Hotel Sunroute Plaza Shinjuku	Fixed-term lease agreement	August 31, 2027	1,304	44.1	21,248.23	23.9
Total			—	—	2,957	100.0	88,808.48	100.0

(Note 1) In the lease agreements concluded for the above properties, the entire rent of Hotel Sunroute Plaza Shinjuku is fixed rent, the entire rent of Hilton Odawara Resort & Spa is variable rent, and the rents of Shangri-La Hotel, Tokyo, Courtyard by Marriott Tokyo Station and Courtyard by Marriott Shin-Osaka Station consist of variable rent and minimum guaranteed rent. “Annual fixed rent” shows the fixed rent and minimum guaranteed rent (annual amount), rounded down to the nearest million yen.

(Note 2) The figures indicate the ratio of annual fixed rents of each property to the total amount of annual fixed rent of the entire property.

(Note 3) For the leased area of Courtyard by Marriott Shin-Osaka Station, the area obtained by multiplying the leased area of the entire building, 18,758.75 m², by 74%, the trust beneficiary interest of MORI TRUST Hotel Reit, is stated according to “74% of 18,758.75 m²,” the leased area specified in the lease agreement. The value is rounded to the nearest second decimal places.

(Note 4) For the leased area of the Hilton Odawara Resort & Spa, the area obtained by multiplying the leased area of the entire building, 50,605.67 m², by 50%, the quasi-co-ownership interest of MORI TRUST Hotel Reit, is stated. The value is rounded to the nearest

second decimal place.

(f) Status of Collateral

There is currently no collateral which the lender has agreed to set for the owned assets.

(g) Overview of Portfolio

The overview of the diversification of the portfolio of MORI TRUST Hotel Reit is as follows.

a. By Category

Category	Number of properties	Acquisition price (Millions of yen)	Ratio (%)
Luxury	1	42,000	38.7
Upper upscale	1	6,500	6.0
Upscale	2	31,400	28.9
Upper midscale	1	28,600	26.4
Total	5	108,500	100.0

b. By Prefecture of Location

Area	Prefectures	Number of properties	Acquisition price (Millions of yen)	Ratio (%)
Major cities in Japan	Tokyo	3	84,400	77.8
	Osaka	1	17,600	16.2
Famous tourist areas	Kanagawa	1	6,500	6.0
Total		5	108,500	100.0

c. By Remaining Years of Lease Period

Remaining years of lease period	Annual fixed rent (Millions of yen) (Note)	Ratio (%)
Over 10 years	1,652	55.9
Within 10 years	1,304	44.1
Total	2,957	100.0

(Note) "Annual fixed rent" shows the sum of fixed rent and minimum guaranteed rent (annual amount) rounded down to the nearest million yen.

(h) Status of Revenues and Expenses of Owned Assets

The status of revenues and expenses of each owned asset in the fiscal period under review is as follows.

(Thousands of yen)

Property No.	Entire portfolio	A-1	B-1	C-1	C-2	D-1
Property name		Shangri-La Hotel, Tokyo	Hilton Odawara Resort & Spa	Courtyard by Marriott Tokyo Station	Courtyard by Marriott Shin-Osaka Station	Hotel Sunroute Plaza Shinjuku
Operating days	—	181	181	181	181	181
(i) Total real estate rental revenues	1,214,065	353,853	160,199	16,442	31,233	652,336
Rent	1,211,834	353,853	157,967	16,442	31,233	652,336
Others	2,231	—	2,231	—	—	—
(ii) Total real estate rental expenses	655,828	240,827	95,473	72,478	70,596	176,453
Property and other taxes	280,357	129,765	45,163	23,895	14,745	66,788
Insurance expenses	5,394	1,507	1,758	394	709	1,024
Depreciation	363,805	109,355	48,038	44,888	53,082	108,440
Other rental expenses	6,271	200	513	3,298	2,059	200
(iii) Real estate rental income ((i) – (ii))	558,237	113,026	64,726	(56,035)	(39,362)	475,882
NOI ((iii) + Depreciation)	922,042	222,381	112,764	(11,147)	13,719	584,323

(Note) The value is rounded down to the nearest thousand yen.

(i) Operating Results of Owned Assets

A-1 Shangri-La Hotel, Tokyo

Base month for rent (Note1)	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020
Rent recording month (Note1)	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021
Rent (Millions of yen) (Note 2)	19	24	30	40	44	71
Difference from the minimum guaranteed rent (Millions of yen) (Note 3)	124					

(Note 1) “Base month for rent” represents the month used as the base for calculating rent. The base month for rent of the Property is 4 months before the month when rent is recorded. Moreover, each indicator including occupancy rate, average daily rate (ADR) and RevPAR (revenue per available room) are not disclosed as consent for disclosure has not been obtained from the end tenant.

(Note 2) “Rent” is rounded down to the nearest million yen.

(Note 3) Since there is the difference (shortfall) of 135 million yen between the total amount of rent for the period from April 2020 to March 2021 and the minimum annual guaranteed rent, 124 million yen is added to the rent for the 10th fiscal period and also 11 million yen is added to the rent for the 11th fiscal period separately.

B-1 Hilton Odawara Resort & Spa

Base period for calculation of rent (Note 1)	July 2019 to June 2020					
Rent recording month	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021
Rent (Millions of yen) (Note 2)	26	26	26	26	26	26

(Note 1) “Base period for rent” represents the period used as the base for calculating rent. Moreover, each indicator including occupancy rate, average daily rate (ADR) and RevPAR (revenue per available room) are not disclosed as consent for disclosure has not been

obtained from the end tenant.

(Note 2) "Rent" is rounded down to the nearest million yen.

C-1 Courtyard by Marriott Tokyo Station

Base month for rent (Note1)	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020
Occupancy rate (%) (Note 2)	23.9	20.9	20.6	22.6	40.5	46.1
Average daily rate (ADR) (Yen) (Note 3)	15,077	15,916	14,247	15,461	15,907	15,913
RevPAR (Yen) (Note 4)	3,605	3,334	2,929	3,487	6,438	7,341
Rent recording month (Note1)	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021
Rent (Millions of yen) (Note 5)	6	—	—	—	4	5

C-2 Courtyard by Marriott Shin-Osaka Station

Base month for rent (Note1)	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020
Occupancy rate (%) (Note 2) (Note 6)	22.5	21.4	19.2	24.5	34.7	42.1
Average daily rate (ADR) (Yen) (Note 3) (Note 7)	13,974	16,094	16,170	17,590	18,710	19,535
RevPAR (yen) (Note 4)	3,140	3,441	3,104	4,312	6,495	8,232
Rent recording month (Note1)	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021
Rent (Millions of yen) (Note 5)	2	—	—	—	10	16
Difference from the minimum guaranteed rent (Millions of yen) (Note 8)	1					

(Note 1) "Base month for rent" represents the month used as the base for calculating rent. The base month for rent of Courtyard by Marriott Tokyo Station and Courtyard by Marriott Shin-Osaka Station is 3 months before the month when rent is recorded.

(Note 2) "Occupancy rate" is the figure calculated with the following formula, rounded to the nearest one decimal place.
Occupancy rate = Number of guestrooms sold/number of guestrooms available for sale

(Note 3) Average daily rate (ADR) represents the average unit price of guestrooms calculated by dividing the total accommodation revenue during a certain period (including service charges and excluding food and beverage sales and other sales) by the total number of guestrooms sold (total number of guestrooms operated) during the period, rounded to the nearest whole number.

(Note 4) RevPAR (revenue per available room) represents the accommodation revenue per room for the total number of guestrooms available for sale calculated by dividing the total accommodation revenue during a certain period (including service charges and excluding food and beverage sales and other sales) by the total number of guestrooms available for sale during the period, rounded to the nearest whole number. Moreover, RevPAR is the same as the value calculated by multiplying ADR by occupancy rate.

(Note 5) "Rent" is rounded down to the nearest million yen.

(Note 6) MORI TRUST Hotel Reit holds trust beneficiary interests for 74% co-ownership interest in the land and building of Courtyard by Marriott Shin-Osaka Station, and occupancy rate indicates the occupancy rate for the portion subject to rent calculation.

(Note 7) MORI TRUST Hotel Reit holds trust beneficiary interests for 74% co-ownership interest in the land and building of Courtyard by Marriott Shin-Osaka Station, and ADR indicates the ADR for the portion subject to rent calculation.

(Note 8) Since there is the difference (shortfall) of 21 million yen between the total amount of rent for the period from October 2019 to September 2020 and the minimum annual guaranteed rent, 20 million yen is added to the rent for the 9th fiscal period and also 1 million yen is added to the rent for the 10th fiscal period separately.

D-1 Hotel Sunroute Plaza Shinjuku

Annual fixed rent: 1,304,673,360 yen

Each indicator including occupancy rate, average daily rate (ADR) and RevPAR (revenue per available room) are not disclosed as consent for disclosure has not been obtained from the end tenant.

(j) Capital Expenditure of Owned Real Estate

a. Scheduled Capital Expenditure

Major capital expenditure associated with the renovation work planned in the 11th Fiscal Period for the assets owned by MORI TRUST Hotel Reit as of the end of the fiscal period under review is as follows.

Property name	Location	Purpose	Scheduled period	Estimated construction costs (Thousands of yen)		
				Total amount	Payment amount for this FP	Total amount paid
Hilton Odawara Resort & Spa	Odawara-shi, Kanagawa	Filter and pump system for pools replacement	From June 2021 To June 2021	25,000	—	—
Hilton Odawara Resort & Spa	Odawara-shi, Kanagawa	Water recycle plant upgrade	From June 2021 To June 2021	13,250	—	—
Courtyard by Marriott Tokyo Station	Chuo-ku, Tokyo	Internet environment upgrade	From June 2021 To August 2021	23,810	—	—
Courtyard by Marriott Shin-Osaka Station	Yodogawa-ku, Osaka	Internet environment upgrade	From June 2021 To August 2021	24,865	—	—

b. Capital Expenditure During the Period

Major capital expenditure during the period for the assets owned by MORI TRUST Hotel Reit as of the end of the fiscal period under review is as follows.

Property name	Location	Purpose	Period	Construction cost (Thousands of yen) (Note)
Shangri-La Hotel, Tokyo	Chiyoda-ku, Tokyo	Refrigerator parts replacement	From January 2021 To February 2021	7,134
Courtyard by Marriott Shin-Osaka Station	Yodogawa-ku, Osaka	Air conditioner on the 19th floor replacement	From August 2020 To September 2020	15,392
Other capital expenditure				11,268
Total				33,796

(Note) "Construction cost" is rounded down to the nearest thousand yen.