

For Immediate Release

Real Estate Investment Trust Securities Issuer
MORI TRUST Hotel Reit, Inc.
Representative: Amane Sakamoto, Executive Director
(Securities Code: 3478)

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: +81-3-6435-7011)

Notice Concerning Partial Transfer of Domestic Real Estate Trust Beneficiary Interest
(Courtyard by Marriott Tokyo Station (5.5% Quasi-Co-Ownership Interest))

MORI TRUST Asset Management Co., Ltd. (the “Asset Management Company”), the asset management company that manages assets on behalf of MORI TRUST Hotel Reit, Inc. (“MORI TRUST Hotel Reit”), hereby announces its decision today to transfer part of the domestic real estate trust beneficiary interest (the “To-Be-Transferred Asset”) (5.5% quasi-co-ownership interest in the To-Be-Transferred Asset; the “Transfer”) it owns as described below. The buyer of the To-Be-Transferred Asset falls under the category of interested persons, etc. as provided in the Act on Investment Trusts and Investment Corporations (Act No. 198 of; the “Investment Trusts Act”) (“interested persons, etc.”) as well as interested parties as provided in the Asset Management Company’s internal rules “Rules for Transactions with Interested Parties” (“interested parties”). Accordingly, pursuant to the Investment Trusts Act and the “Rules for Transactions with Interested Parties,” the consent of MORI TRUST Hotel Reit has been obtained via approval of the Board of Directors of MORI TRUST Hotel Reit regarding the Transfer.

Details

1. Overview of the Transfer

(1) Name of the To-Be-Transferred Asset	Courtyard by Marriott Tokyo Station
(2) Anticipated transfer price	1,001 million yen (Note 1) (5.5% quasi-co-ownership interest (Note 2))
(3) Book Value	738 million yen (Note 3)
(4) Difference between anticipated transfer price and book value	262 million yen (Note 4)
(5) Buyer	MORI TRUST CO., LTD. (“MORI TRUST”) (for details, please refer to “4. Overview of Buyer” below)
(6) Broker	None
(7) Contract date	August 27, 2021
(8) Anticipated transfer date	August 31, 2021
(9) Settlement method	Lump-sum payment upon delivery

(Note 1) Excluding various transfer expenses, settlement money including property tax and city planning tax, and consumption tax, etc.

Disclaimer: This document is an English translation of a press release for public announcement concerning partial transfer of domestic real estate trust beneficiary interest, and has not been prepared for the purpose of solicitation of investment.

- (Note 2) MORI TRUST Hotel Reit will continue to hold 94.5% quasi-co-ownership interest in the To-Be-Transferred Asset even after the Transfer.
- (Note 3) Book value indicates the amount equivalent to 5.5% quasi-co-ownership interest in the To-Be-Transferred Asset, which is subject to the Transfer, of the book value for the entire To-Be-Transferred Asset that is assumed as of August 31, 2021, which is the anticipated transfer date.
- (Note 4) The figure is a reference value calculated as the difference between the anticipated transfer price and the assumed book value, and differs from the actual gain or loss on sale.

2. Reason for the Transfer

(1) Purpose of the Transfer

The SDSCR value (an index that determines the ability to pay principal and interest in a certain stress scenario), which is calculated based on the borrowing agreements between MORI TRUST Hotel Reit and financial institutions (the “Financial Covenants”), fell below the standard value (the “Conflict with the Financial Covenants”) due to a decline 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. MORI TRUST Hotel Reit decided to implement the Transfer with an aim to transfer its properties with unrealized gain and record the gain on sale of real estate as operating income in order to eliminate such Conflict with the Financial Covenants. MORI TRUST Hotel Reit has aimed to build a strong financial position through a stable and solid relationship with financial institutions. It will further strengthen the relationship with financial institutions as well as continue to maintain a cooperative system for dealing with the COVID-19 pandemic by eliminating the Conflict with the Financial Covenants with the implementation of the Transfer.

(2) Reason for the Selection of Property Subject to the Transfer and the Buyer

In order to eliminate the Conflict with the Financial Covenants, MORI TRUST Hotel Reit considered properties subject to the Transfer among owned properties to minimize the decrease in asset size resulting from property transfer and the future loss of rent while recording gain on sale of real estate as operating income. As a result of such consideration, MORI TRUST Hotel Reit selected “Courtyard by Marriott Tokyo Station” as the To-Be-Transferred Asset by regarding it as a property that has a relatively large amount of unrealized gain among the owned properties, making it possible to record a large amount of gain on sale of real estate despite the small transfer scale, as well as minimizes the future loss of rent for the meanwhile as its rent level excluding the minimum guaranteed rent is decreasing amid the COVID-19 pandemic.

In addition, as for the To-Be-Transferred Asset, the right of first negotiation for purchase shall be granted to MORI TRUST if MORI TRUST Hotel Reit intends to transfer the asset. Therefore, a conclusion was made that acquisitions should be possible at an appraisal value satisfying the transaction conditions stipulated in the “Rules for Transactions with Interested Parties,” which are internal rules of the Asset Management Company, after having negotiations on sale and purchase with MORI TRUST. Based on such conclusion, MORI TRUST Hotel Reit selected MORI TRUST as the buyer by judging that transfers at a fully appraised value can be implemented in the current situation in which hotel performance remains sluggish.

Moreover, it has been agreed that if MORI TRUST intends to transfer the portion subject to the Transfer of the To-Be-Transferred Asset, which will be acquired this time, after the Transfer, MORI TRUST shall grant the right of first negotiation for the purchase of the said portion to MORI TRUST Hotel Reit.

(3) Sponsor Support by the Mori Trust Group

In the Transfer, MORI TRUST, the buyer, will acquire the asset at an appraisal value satisfying the transaction conditions stipulated in the “Rules for Transactions with Interested Parties” as it falls under the category of

interested parties of MORI TRUST Hotel Reit. MORI TRUST Hotel Reit believes that the acquisition at an appraisal value assuming the future recovery of hotel performance are a strong sponsor support in the current situation in which hotel performance remains sluggish amid the ceaseless COVID-19 pandemic. With such sponsor support, it became possible to minimize the decrease in asset size resulting from property transfer and the future loss of rent while fulfilling the purpose of the Transfer described in (1).

Mori Trust Holdings Inc., which is the parent company of MORI TRUST, the sponsor, maintains a long-term issuer rating of “AA- (stable)” received from Japan Credit Rating Agency, Ltd. and continues to have a stable financial position even in a harsh external environment amid the COVID-19 pandemic. In addition, the hotel of the To-Be-Transferred Asset is operated by MORI TRUST HOTELS & RESORTS CO., LTD., the sponsor, and it is believed that the agreement on the Transfer was reached as it was possible to make responses from a long-term viewpoint eyeing the recovery period after COVID-19 as the Mori Trust Group will continue operating the hotel on its own.

(4) Future Forecast

MORI TRUST Hotel Reit believes that the impact on the distribution level after the Transfer will be limited by minimizing the future loss of rent. The level of around 2,300 yen per year indicated as the minimum annual distribution level (Note 2) in “Notice Concerning Revisions to Forecast of Management Status for Fiscal Period Ending August 2021” announced on June 25, 2021, is expected to be maintained. In addition, even when estimating the impact of the Transfer on the distribution level under normal conditions before being impacted by COVID-19 (Note 3), such impact remains at a decrease by approximately 1% of the entire distribution and is assumed to be minimal.

The gain on sale of real estate which will be generated due to the Transfer is scheduled to be allocated to distributions for the fiscal period ending August 2021 (March 1, 2021 to August 31, 2021) when gain on sale will be recorded, and then returned to unitholders. For details of the management status of the forecasted distributions for the fiscal period ending August 2021, please refer to “Notice Concerning Revisions to Forecast of Management Status and Distributions for Fiscal Period Ending August 2021” separately announced today.

(Note 1) Property names may be abbreviated where “Shangri-La Hotel, Tokyo” is “Shangri-La,” “Hilton Odawara Resort & Spa” is “Hilton Odawara,” “Courtyard by Marriott Tokyo Station” is “Courtyard Tokyo,” “Courtyard by Marriott Shin-Osaka Station” is “Courtyard Shin-Osaka,” and “Hotel Sunroute Plaza Shinjuku” is “Sunroute.”

(Note 2) “Minimum annual distribution level” refers to the annual distribution level that is estimated if the four properties with variable rents (Shangri-La, Hilton Odawara, Courtyard Tokyo, and Courtyard Shin-Osaka) have variable rents of 0 and MORI TRUST Hotel Reit receives only the minimum guaranteed rents as well as the fixed rents by assuming that there will be no changes to the five assets under management owned by MORI TRUST Hotel Reit as of today (e.g., acquisition of new assets, disposal of owned properties) other than the Transfer and that there will be no changes to the valid lease contracts. For details, please refer to “Notice Concerning Revisions to Forecast of Management Status for Fiscal Period Ending August 2021” announced on June 25, 2021.

(Note 3) “Normal conditions before being impacted by COVID-19” refers to conditions in which MORI TRUST Hotel Reit’s performance has reached the assumed normal distribution level before the COVID-19 pandemic (Note 4).

(Note 4) “Assumed normal distribution level before the COVID-19 pandemic” refers to the distribution level estimated based on the assumed normal operating income, which is calculated by adding the rent of Hilton Odawara acquired on September 2, 2019, for the fiscal period ended February 2020 to the operating income including the rent of MORI TRUST Hotel Reit for the fiscal period ended August 2019 before the acquisition of Hilton Odawara.

3. Details of the To-Be-Transferred Asset

The details of the To-Be-Transferred Asset are presented in the table below.

Name of the To-Be-Transferred Asset		Courtyard by Marriott Tokyo Station
Category		Upscale
Use		Hotel, retail
Type of specified asset		Real estate trust beneficiary interest
Acquisition date		September 16, 2016
Acquisition price		759 million yen (Note 1)
Overview of trust beneficiary interest	Trustee	Mitsubishi UFJ Trust and Banking Corporation
	Trust expiration date	August 31, 2046
Location (indication of residential address)		2-1-3, Kyobashi, Chuo-ku, Tokyo
Access		4-minute walk from JR Tokyo Station and 1-minute walk from Kyobashi Station on the Tokyo Metro Ginza Line
Land	Parcel number	2-1-2, Kyobashi, Chuo-ku, Tokyo
	Building coverage ratio	80%
	Floor area ratio	700% / 800%
	Use district	Commercial district
	Site area	4399.47 m ² (Note 2)
	Ownership form	Right of site (Ownership) (5.5% quasi-co-ownership interest of the trust beneficiary interest)
Building	Completion of construction	February 2014
	Structure and number of floors	Steel frame and steel reinforced concrete structure with deck roof 21 floors above ground and 3 floors below ground (Note 3)
	Total floor area	51,242.93 m ² (Note 4)
	Designer	TODA CORPORATION (first-class architect office)
	Builder	TODA CORPORATION Tokyo Branch
	Ownership form	Unit ownership (5.5% quasi-co-ownership interest of the trust beneficiary interest)
Appraisal value (Date of value)		1,001 million yen (July 31, 2021) (Note 5)
Appraisal agency		Japan Real Estate Institute
Leasing details	Number of tenants	1
	Number of subtenants	1
	Lessee	MORI TRUST CO., LTD.
	Contract form	Fixed-term building lease agreement
	Contract period	From September 16, 2016 to April 1, 2039
	Leased area	309.12 m ² (Note 7)
	Leasable area	309.12 m ² (Note 7)
	Occupancy rate	100%

Leasing details	Rent	<p>Variable rent: The variable rent for each month shall be an amount (not less than 0 yen) calculated by multiplying adjusted operating income by facility (see Note) of the hotel for a month three months prior to the month in question by 90%</p> <p>Minimum annual guaranteed rent (from October each year to September the following year): 310,000,000 yen</p> <p>If the total amount of rent for the period from October each year to September the following year is less than 310,000,000 yen, rent for the said period shall be 310,000,000 yen, and the difference (shortfall) between this amount and the total amount of rent from October to September the following year is paid, together with the rent for September the following year, no later than the last day of August the following year.</p> <p>(Note) “Adjusted operating income by facility” refers to sales from hotel operations less hotel operating expenses by department, unallocated operating expenses, fixed operating costs, and operating expenses of hotel operator allocated to head office (only expenses related to the hotel).</p>
	Leasehold and security deposits	Leasehold deposits: 610,000,000 yen

(Note 1) The amount equivalent to 5.5% quasi-co-ownership interest in the To-Be-Transferred Asset which is subject to the Transfer, of the sale and purchase price stated in the trust beneficiary interest sale and purchase contract upon the acquisition of the To-Be-Transferred Asset (excluding consumption tax, local consumption tax, and commission and other various expenses).

(Note 2) The building is under unit ownership, but the area of the entire site or land is indicated. Moreover, the percentage of the right of site of the entire To-Be-Transferred Asset which is the subject to the trust beneficiary interest is 5,205/100,000, and the subject to the Transfer is 5.5% quasi-co-ownership interest in the said trust beneficiary interest.

(Note 3) The structure and number of floors for the entire building. The structure and number of floors for the exclusive area of the entire To-Be-Transferred Asset which is the subject to the trust beneficiary interest is steel frame structure with 4 floors above ground (1st to 4th floors).

(Note 4) The building is a building under unit ownership, but the total floor area for the entire building including the building is indicated. The floor area for the exclusive area of the entire To-Be-Transferred Asset which is the subject to the trust beneficiary interest is 5,502.63 m² (area stated in the register), and the subject to the Transfer is 5.5% quasi-co-ownership interest in the said trust beneficiary interest.

(Note 5) The amount equivalent to 5.5% quasi-co-ownership interest in the To-Be-Transferred Asset, which is subject to the Transfer, of the appraisal value stated in the appraisal report of the To-Be-Transferred Asset with the date in the table as the date of value that was obtained from the appraisal agency.

(Note 6) Based on the details of the lease contract concluded or scheduled to be concluded among the trustee who is the lessor, MORI TRUST Hotel Reit and the buyer which are the beneficiary of the trust beneficiary interest and the lessee. “Rent” and “Leasehold and security deposits” are the details of the entire To-Be-Transferred Asset.

(Note 7) “Leased area” and “Leasable area” are the areas equivalent to 5.5% quasi-co-ownership interest in the To-Be-Transferred Asset which is subject to the Transfer, of the leased area of 5,620.38 m² and leasable area of 5,620.38 m² for the entire To-Be-Transferred Asset, rounded to two decimal places.

Disclaimer: This document is an English translation of a press release for public announcement concerning partial transfer of domestic real estate trust beneficiary interest, and has not been prepared for the purpose of solicitation of investment.

Actual rent for MORI TRUST Hotel Reit's 11th fiscal period for the entire To-Be-Transferred Asset						
Rent recording month	2021					
	Mar.	Apr.	May	Jun.	Jul.	Aug.
Rent (million yen) (Note 8)	4	-	-	9	0	0
Difference from the minimum annual guaranteed rent (million yen) (Note 9)	262					

(Note 8) "Rent" is rounded down to the nearest million yen.

(Note 9) Since there is the difference (shortfall) of 286 million yen between the total amount of rent for the period from October 2020 to September 2021 and the minimum annual guaranteed rent, 262 million yen is added to the rent for the 11th fiscal period.

4. Buyer profile

(1) Name	MORI TRUST CO., LTD.
(2) Location	2-3-17, Toranomom, Minato-ku, Tokyo
(3) Name and title of representative	Miwako Date President and Representative Director
(4) Businesses	Real estate development, Hotel management, Investment business
(5) Capital	30,000 million yen (as of March 31, 2021)
(6) Established	June 10, 1970
(7) Net assets	479,603 million yen (consolidated) (as of March 31, 2021)
(8) Total assets	1,151,415 million yen (consolidated) (as of March 31, 2021)
(9) Largest shareholders and shareholding ratios	Mori Trust Holdings Inc. (100%)
(10) Relationships between MORI TRUST Hotel Reit or the Asset Management Company and the concerned company	
Capital relationships	The company is a parent company of the Asset Management Company that manages assets on behalf of MORI TRUST Hotel Reit (shareholding ratio: 95%), and falls under the category of parent corporations, etc. of the Asset Management Company as provided in the Financial Instruments and Exchange Act and interested persons, etc. as provided in the Investment Trusts Act.
Personnel relationships	The company is an assignor company of the employees of the Asset Management Company.
Business relationships	A fixed-term building lease agreement has been concluded with MORI TRUST Hotel Reit for some properties of MORI TRUST Hotel Reit.
Related-party status	The company is a subsidiary of other affiliated companies of MORI TRUST Hotel Reit (Mori Trust Holdings Inc.), and is a parent company of the Asset Management Company (shareholding ratio: 95%).

5. Transactions with Interested Persons, Etc.

The buyer of the To-Be-Transferred Asset falls under the category of interested persons, etc. as provided in the Investment Trusts Act, and also falls under the category of interested parties as provided in the Asset Management Company's internal rules "Rules for Transactions with Interested Parties." Accordingly, in accordance with the provisions of the Investment Trusts Act and the "Rules for Transactions with Interested Parties," resolution has been passed by the Compliance Committee, Hotel REIT Management Division Investment Committee and Board of Directors of the Asset Management Company and then consent of MORI TRUST Hotel Reit obtained by approval of

the Board of Directors of MORI TRUST Hotel Reit for the Transfer.

6. Future outlook

As a result of the Transfer, gain on sale of real estate is expected to be generated in the fiscal period ending August 2021 (from March 1, 2021 to August 31, 2021). For the impact of the Transfer on the management status of MORI TRUST Hotel Reit's for the fiscal period ending August 2021 (from March 1, 2021 to August 31, 2021), please refer to "Notice Concerning Revisions to Forecast of Management Status and Distributions for Fiscal Period Ending August 2021" separately announced today.

7. Summary of Appraisal Report

Property name	Courtyard by Marriott Tokyo Station	
Appraisal value	1,001,000 thousand yen (Note)	
Appraisal agency	Japan Real Estate Institute	
Date of value	July 31, 2021	
Item	Figures (Note)	Summary, etc.
Indicated value by income approach	1,001,000 thousand yen	
Indicated value by direct capitalization method	1,034,000 thousand yen	-
(1) Operating revenues ((i) - (ii) - (iii))	40,895 thousand yen	-
(i) Gross potential income (rental income, CAM income, other income, etc.)	40,895 thousand yen	Assessed the hotel operating income during the stable operation period by taking into consideration the hotel business revenue in the past year and the degree of competitiveness of the subject real estate based on the details of the lease agreement
(ii) Vacancy loss	- thousand yen	-
(iii) Bad debts expenses	- thousand yen	-
(2) Operating expenses ((iv) + (v) + (vi) + (vii))	2,953 thousand yen	-
(iv) Repairs and maintenance expenses	51 thousand yen	Recorded by referencing the past results, taking into consideration the annual average of repairs, maintenance and renewal expenses stated in the engineering report.
(v) Property and other taxes	2,858 thousand yen	Recorded based on materials related to property and other taxes
(vi) Insurance expenses	43 thousand yen	Recorded by taking into consideration the insurance premium based on the insurance contract and the insurance premium rate of similar buildings.
(vii) Other expenses	- thousand yen	-
(3) Net operating income ((1) - (2))	37,941 thousand yen	-
(4) Financial interests on refundable deposits	335 thousand yen	Assessed by estimating an investment return of 1.0%.
(5) Capital expenditures	119 thousand yen	Assessed by taking into account the annual average of repairs, maintenance and renewal expenses stated in the engineering report
(6) Net cash flow ((3) + (4) - (5))	38,156 thousand yen	-
(7) Capitalization rate	3.7%	-
Indicated value by DCF method	968,000 thousand yen	-
Discount rate	3.4%	-
Terminal capitalization rate	3.9%	-
Indicated value by cost approach	497,200 thousand yen	-
Ratio of land	87.2%	-
Ratio of building	12.8%	-

Disclaimer: This document is an English translation of a press release for public announcement concerning partial transfer of domestic real estate trust beneficiary interest, and has not been prepared for the purpose of solicitation of investment.

Other matters noted in the appraisal by the appraisal agency	In light of the subject real estate's demand expecting to come primarily from corporate investors making decisions with a focus on profitability due to its various attributes including locational characteristics and building use, the indicated value by income approach replicating the price formation process from the aspect of revenue has been adopted and the appraisal value was determined with a focus on the indicated value by cost approach as just reference.
--	---

(Note) The amount equivalent to 5.5% quasi-co-ownership interest in the To-Be-Transferred Asset which is subject to the Transfer.

* MORI TRUST Hotel Reit's website: <http://www.mt-hotelreit.jp/en/>

[Attachment]

Reference Portfolio List After the Transfer

[Attachment]

Reference Portfolio List After the Transfer

Category	Property no. (Note 1)	Property name	Acquisition price (million yen) (Note 2)	Investment ratio (%) (Note 3)
Luxury	A-1	Shangri-La Hotel, Tokyo	42,000	39.0
	Subtotal		42,000	39.0
Upper upscale	B-1	Hilton Odawara Resort & Spa (50% quasi-co-ownership interest)	6,500	6.0
	Subtotal		6,500	6.0
Upscale	C-1	Courtyard by Marriott Tokyo Station (94.5% quasi-co-ownership interest)	13,041	12.1
	C-2	Courtyard by Marriott Shin-Osaka Station	17,600	16.3
	Subtotal		30,641	28.4
Upper midscale	D-1	Hotel Sunroute Plaza Shinjuku	28,600	26.5
	Subtotal		28,600	26.5
Total			107,741	100.0

(Note 1) “Property no.” is the alphabet and number assigned by category in accordance with the grade of the assets that are investment targets of MORI TRUST Hotel Reit., where the categories are “luxury,” “upper upscale,” “upscale” and “upper midscale” and the corresponding alphabets are “A,” “B,” “C” and “D” in that order.

(Note 2) “Acquisition price” is each property’s sale and purchase price stated in the sale and purchase contract. Sale and purchase price does not include consumption tax, local consumption tax and acquisition expenses. In addition, the acquisition price for “Hilton Odawara Resort & Spa” and “Courtyard by Marriott Tokyo Station” is the amount equivalent to the quasi-co-ownership interest in the trust beneficiary interest for each property (50% and 94.5%, respectively).

(Note 3) “Investment ratio” is the ratio of each property’s acquisition price to the sum total amount of acquisition price, rounded to one decimal place.