

(REIT) Financial Report for the Fiscal Period Ended December 2019

February 18, 2020

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Listing: Tokyo Stock Exchange
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Scheduled date of commencement of dividends payment: March 19, 2020

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Preparation of supplementary financial results briefing materials: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for the Fiscal Period Ended December 2019 (from July 1, 2019 to December 31, 2019)

(1) Operating Results

(% 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 Dec. 2019	1,129	0.7	482	2.4	398	0.4	398	0.4
Ended June 2019	1,121	2.5	471	0.1	397	0.3	396	0.3

Fiscal period	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Ended Dec. 2019	3,008	3.2	1.4	35.3
Ended June 2019	2,995	3.2	1.4	35.4

(2) Dividends

Fiscal period	Dividends per unit (excluding dividends in excess of earnings)	Total dividends (excluding dividends in excess of earnings)	Dividends in excess of earnings per unit	Total dividends in excess of earnings	Dividends per unit (including dividends in excess of earnings)	Total dividends (including dividends in excess of earnings)	Payout ratio	Ratio of dividends to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
Ended Dec. 2019	3,008	398	496	65	3,504	463	100.0	3.2
Ended June 2019	2,995	396	499	66	3,494	462	100.0	3.2

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended June 2019 is total dividends from allowance for temporary difference adjustments of 1 million yen (9 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 64 million yen (490 yen per unit).

The breakdown of total dividends in excess of earnings for the fiscal period ended December 2019 is total dividends from allowance for temporary difference adjustments of 1 million yen (9 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 64 million yen (487 yen per unit).

(Note 2) The ratio of decreasing surplus, etc. attributable to distribution in excess of earnings (refund of investments in capital) for the fiscal period ended June 2019 is 0.006 and for the fiscal period ended December 2019 is 0.006.

(Note 3) Payout ratio is the figure calculated by the following formula, rounded to the first decimal place.

Payout ratio = Total dividends (excluding dividends in excess of earnings) ÷ Net income × 100

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Ended Dec. 2019	27,960	12,486	44.7	94,355
Ended June 2019	28,102	12,551	44.7	94,840

(4) Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Dec. 2019	783	(62)	(476)	1,947
Ended June 2019	666	(780)	229	1,704

2. Operating Forecasts for the Fiscal Period Ending June 2020 (from January 1, 2020 to June 30, 2020) and

Operating Forecasts for the Fiscal Period Ending December 2020 (from July 1, 2020 to December 31, 2020)

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Dividends per unit (excluding dividends in excess of earnings)	Dividends in excess of earnings per unit	Dividends per unit (including dividends in excess of earnings)
	mn yen	%	mn yen	%	mn yen	%	mn yen	%	yen	yen	yen
Ending June 2020	1,257	11.3	563	16.8	461	15.6	460	15.6	3,014	449	3,463
Ending Dec. 2020	1,275	1.4	574	1.9	470	2.0	469	2.0	3,074	433	3,507

(Reference) Forecast net income per unit (Forecast net income ÷ Forecast number of investment units at end of period)

Fiscal period ending June 2020: 3,014 yen

Fiscal period ending December 2020: 3,074 yen

(Note) The rate of period-on-period increase (decrease) for the fiscal period ending June 2020 shows comparison with the actual figures for the fiscal period ended December 2019, and that for the fiscal period ending December 2020 shows comparison with the forecast figures for the fiscal period ending June 2020.

* Other

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

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- ② Changes in accounting policies other than ①: None
- ③ Changes in accounting estimates: None
- ④ Retrospective restatements: None

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including treasury investment units) at end of period

Fiscal period ended Dec. 2019	132,340 units	Fiscal period ended June 2019	132,340 units
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- ② Number of treasury investment units at end of period

Fiscal period ended Dec. 2019	0 units	Fiscal period ended June 2019	0 units
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* Financial reports are exempt from the audit by a certified public accountant or an auditing firm.

* Special note

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by marimo Regional Revitalization REIT, Inc. (hereinafter, "marimo REIT"). Accordingly, the actual operating results, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of dividends.

Furthermore, for details on the assumptions underlying the forecast figures above, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending June 2020 (from January 1, 2020 to June 30, 2020) and Fiscal Period Ending December 2020 (from July 1, 2020 to December 31, 2020)" on page 8.

Table of Contents

1. Management Status	2
(1) Management Status.....	2
(2) Investment Risks	10
2. Financial Statements	11
(1) Balance Sheet	11
(2) Statement of Income	13
(3) Statement of Unitholders' Equity.....	14
(4) Statement of Distribution of Cash.....	16
(5) Statement of Cash Flows.....	17
(6) Notes on the Going Concern Assumption	18
(7) Notes on Matters Concerning Significant Accounting Policies	19

1. Management Status

(1) Management Status

(Overview of the Fiscal Period under Review)

① Brief History of the Investment Corporation

marimo REIT was incorporated under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the "Investment Trusts Act") with Marimo Asset Management Co., Ltd. (hereinafter, the "Asset Manager") as the organizer and investments in capital of 200 million yen (2,000 units) (Note 1) on February 5, 2016, and completed the registration with the Kanto Local Finance Bureau on March 16, 2016 (Registration No. 113 with the Director-General of the Kanto Local Finance Bureau). marimo REIT then implemented an issuance of new investment units through public offering (88,500 units) with July 28, 2016 as the payment due date, and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter, the "J-REIT Market") on July 29, 2016 (securities code: 3470). Later, 468 units were issued through third-party allotment accompanying secondary offering through over-allotment on August 31, 2016. Furthermore, marimo REIT implemented an issuance of new investment units through public offering (39,500 units) on January 22, 2018 and issuance of new investment units through third-party allotment accompanying secondary offering through overallotment (1,872 units) on February 16, 2018. These resulted in total number of investment units issued and outstanding of 132,340 units as of the end of the fiscal period under review (Note 2).

(Note 1) Amounts are rounded down to the nearest million yen if such applies. Unless otherwise stated, the same shall apply hereinafter.

(Note 2) marimo REIT issued new investment units on January 20, 2020, and February 17, 2020. For details, please refer to "(Outlook for the Next Fiscal Period) ② Significant Subsequent Events (A) Issuance of New Investment Units" below.

② Investment Environment

In the fiscal period under review, the Japanese economy experienced positive growth with an annualized real GDP growth rate of 1.8% for the period from July to September 2019 (seasonally adjusted; second preliminary estimate). Compared with the period from January to March 2019, domestic demand improved from +0.1% to +0.6%. The breakdown shows improvements in private demand (from +0.1% to +0.6%) and private-sector capital investment (from +0.3% to +1.8%), both turning to positive to bring about positive growth.

(Financial Market)

With the Bank of Japan's monetary easing policy, the JBA 3-month Japanese Yen TIBOR has maintained a stable level of 0.06909% since late January 2018, but on May 30, 2019, the level was lowered to 0.06727%. During the fiscal period under review, the TIBOR remained at the same level until December 27, 2019, when it was raised to 0.06909%. Since the outlook continues to be uncertain due to the situation in the Middle East, the outcome of the U.S. presidential election, etc., the impact of volatility in financial markets should be carefully watched going forward.

(Real Estate Transaction Market)

According to "ARES Monthly Report (December 2019)" published by The Association for Real Estate Securitization, actual acquisition of real estate by J-REITs in the period from January to November 2019 contracted by approximately 380.6 billion yen year on year (-22.5% year on year) to approximately 1,307.8 billion yen in terms of total acquisition price. As for actual sales, the total sale price also decreased by around 57.5 billion yen year on year (-16.2% year on year) to approximately 296.0 billion yen. The contracting trend of the real estate market evidenced by these was caused by funds which flowed into real estate investment as a result of the Bank of Japan's negative rate policy and led to higher priced real estate that consequently lowered the investment yield. Accordingly, attention should continue to be paid to factors including interest rates.

(Residential Leasing Market)

According to the number of households by type of rental housing from 1993 to 2018 for the Tokyo metropolitan area (Note) and the rest of Japan ("Housing and Land Survey" by the Statistics Bureau of the Ministry of Internal Affairs and Communications), the number of households living in privately-owned rental housing is increasing, suggesting that demand for rental housing is stable and demand for rental housing in Japan is likely to continue to grow.

(Note) "Tokyo metropolitan area" refers to Tokyo, Kanagawa, Chiba and Saitama.

(Retail Property Market)

According to "Current Survey of Commerce" by the Ministry of Economy, Trade and Industry, for the period from July to September 2019, the rate of increase in sales value compared with the same period of the previous year for supermarkets increased by 0.3% on average nationally. By area, the Kyushu area was +2.9%, the Chugoku and Shikoku areas were each +1.3%, the Chubu area was +1.2%, and Hokkaido was +0.9%. As for drug stores, the rate of increase was +9.7% on average nationally, with particularly high growth of +12.4% for the Chugoku area, +11.2% for the Chubu area, +11.0% for the Shikoku area, +9.8% for the Tohoku area, and +7.9% for the Kinki area, showing an upward trend across the nation. The sales value of supermarkets and drug stores selling daily necessities is expected to remain stable.

(Hotel Market)

According to "Visitor Arrivals to Japan (estimate for November 2019)" by Japan National Tourism Organization, the number of international visitors to Japan in the period from January to November 2019 increased to 29.35 million or +2.8% year on year (including estimates). As a result, according to "Overnight Travel Statistics Survey (October 2019/second preliminary estimates, November 2019/first preliminary estimates)" by Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism, the total number of overnight international guests for October 2019 increased to 8.97 million (+8.8% year on year); and the guest room occupancy rates by accommodation facility type remained high at 80.4% (-2.1% year on year) for city hotels, 77.0% (-1.8% year on year) for business hotels and 57.4% (-2.4% year on year) for resort hotels. However, close attention should be paid as the number of international visitors to Japan may fluctuate due to the impact of the new coronavirus.

(Office Leasing Market)

According to "Japan Office MarketView Q3 2019" by CBRE K.K., in the third quarter of 2019, the decrease in the vacancy rate for major regional cities appeared to halt in some cities compared with the previous quarter, with 0.6% (+0.2 pts quarter on quarter) for Fukuoka City, 0.9% (-0.3 pts quarter on quarter) for Osaka City, 0.9% (± 0.0 pts quarter on quarter) for Nagoya City, 0.9% (+0.3 pts quarter on quarter) for Sapporo City and 2.1% (-1.0 pts quarter on quarter) for Hiroshima City. However, assumed contract rents showed an upward trend, with 15,850 yen/tsubo (+1.4% quarter on quarter) for Fukuoka City and 11,600 yen/tsubo (+0.8% quarter on quarter) for Hiroshima City. Thus, the ongoing upward trend in rent is likely to continue amidst a tight supply-demand balance.

③ Management Performance

During the fiscal period under review, leasing activities according to the characteristics of each region, setting terms and conditions for seeking tenants according to the characteristics and occupancy status of individual properties, etc. were implemented through integrated promotion of property management operations of the Asset Manager and each of the bases of the property management company, Marimo Co., Ltd. (hereinafter, "Marimo"), and resulted in successful stable operation of properties under management and reduction of downtime. In addition, as part of internal growth measures, rents at residential properties were raised upon tenant replacement, contract rents were raised at MRR Delta Building following negotiations with the existing tenants, and parking rents at MRR Kumamoto were raised accompanying the change in the parking management company, etc. In terms of cost reduction, reduction of insurance premiums, etc. was realized through review of the terms and conditions of fire insurance. In addition, the Asset Manager conducted management aimed at enhancement of functionality, convenience, etc., and enhancement of customer satisfaction, including installation of rooftop mobile phone base stations, introduction of a bike-sharing service and installation of delivery boxes, while also carrying out disposition of Seven-Eleven Kofu Aioi 1-chome Store (land ownership interests). As the result of such, marimo REIT's portfolio assets as of the end of the fiscal period under review (25 properties; total acquisition price (Note): 25,005 million yen) has an occupancy rate of 98.8% and period-average occupancy rate of 99.1%.

(Note) "Acquisition price" is the sale and purchase price of the real estate trust beneficiary right stated in the trust beneficiary right sale and purchase contract for the acquired asset, not including consumption tax and local consumption tax or brokerage fees and other various expenses.

④ Financing Status

In the fiscal period under review, long-term loans of 4,030 million yen were borrowed in order to repay 3,330 million yen of long-term loans and 700 million yen of short-term loans on August 1, 2019. For long-term loans borrowed on August 1, 2016 (Tranche D: loan balance of 1,417 million yen), cash on hand was used to execute contractual repayment of 7 million yen on August 1, 2019, and 7 million yen on November 1, 2019. As a result, as at the end of the fiscal period under review (end of December 2019), the balance of loans outstanding was 13,772 million yen (Note) and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 49.3%.

(Note) As described in “(Outlook for the Next Fiscal Period) ② Significant Subsequent Events (B) Borrowing of Funds” below, marimo REIT borrowed long-term loans of 2,250 million yen on January 21, 2020, to be allocated as part of the funds for acquisition and incidental expenses for asset acquisition. In addition, on February 1, 2020, marimo REIT executed repayment of 7 million yen out of the abovementioned long-term loans (Tranche D) borrowed on August 1, 2016. With these, the balance of loans outstanding of marimo REIT stands at 16,015 million yen as of the date of this document.

⑤ Overview of Business Performance and Distribution

As a result of the above, business performance for the fiscal period under review was operating revenue of 1,129 million yen, operating income of 482 million yen, ordinary income of 398 million yen and net income of 398 million yen.

In addition, concerning dividends, in accordance with the distribution policy provided in marimo REIT’s Articles of Incorporation, the decision was made to distribute the entire amount of unappropriated retained earnings, excluding fractions of dividends per unit of less than 1 yen, by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). This resulted in dividends per unit of 3,008 yen.

In addition to this, marimo REIT shall execute distribution of cash in excess of earnings (hereinafter, “distribution in excess of earnings”) in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 65 million yen, which is the amount roughly equivalent to 30% of depreciation for the fiscal period under review, as dividends in excess of earnings. This resulted in dividends in excess of earnings per unit of 496 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1 million yen, resulting in allowance for temporary difference adjustments per unit of 9 yen.

In addition, payout ratio (ratio of total dividends including distribution in excess of earnings to the amount of net income plus depreciation) was 75.0%.

(Note 1) Distribution in excess of earnings shall be executed only when total appraisal value of real estate, etc. held as at the end of the accounting period (refers to the appraisal value in the real estate appraisal report with the end of the accounting period as the date of value that was obtained for real estate, etc. held by marimo REIT; the same shall apply hereinafter) exceeds total book value of real estate, etc. for the concerned accounting period plus total planned capital expenditures (refers to the total amount of reserve for capital expenditures) for the concerned accounting period’s next period, but after also considering other options, such as utilization for repair expenses and capital expenditures and allocation to funds for repayment of borrowings or acquisition of new properties.

Total appraisal value of real estate, etc. at the end of the 7th fiscal period (fiscal period ended December 2019) was 29,479 million yen, which exceeds the sum total of total book value of real estate, etc. (24,559 million yen) and the total amount of reserve for the planned amount of construction of repair and renewal expenses (capital expenditures) planned to be implemented in the 8th fiscal period (151 million yen).

(Note 2) The breakdown of total book value of real estate, etc. is the sum total of the carrying amount of property, plant and equipment of 24,555 million yen and leasehold interest posted to intangible assets of 3 million yen.

(Note 3) For the 25 properties held by marimo REIT as of the end of the fiscal period under review, the 6-month average amount of the sum total amount of the estimated amount of emergency repair expenses, estimated amount of short-term repair expenses and estimated amount of long-term repair expenses (each those falling under the category of renewal expenses (capital expenditures)) stated in the engineering report is 51 million yen. In addition, the planned amount of repairs (those falling under the category of capital expenditures) currently assumed by marimo REIT is no more than 52 million yen for the fiscal period ending June 2020 and 45 million yen for the fiscal period ending December 2020. Therefore, even if an amount equivalent to the funds expected as reserve for the purpose of future capital expenditures for maintaining the function of buildings, etc. or working capital, etc. and certain funds in preparation for investment that would serve to enhance the income-producing potential of the portfolio are retained from the cash and deposits on hand in an amount equivalent to depreciation on the last day of each accounting period, there is still expected to be residual free cash flows. Accordingly, the decision was made to execute the abovementioned distribution in excess of earnings as part of cash management under the judgment that it is within the scope that sound financial stability will be maintained.

(Outlook for the Next Fiscal Period)

① General Management Outlook

(A) External Growth Strategy

The policy is to build a stable and highly profitable diversified portfolio, centering on regional areas, by increasing opportunities to acquire mainly “residential” properties, for which leasing demand is relatively stable with the increase in the number of households, and “retail” properties, such as food supermarkets, drug stores, hardware stores and discount stores selling daily necessities, and conducting activities that lead to future external growth, while pursuing close collaboration with Marimo, which has six bases across Japan, through which a wide variety of real estate information gathered from all over Japan is shared and analysis of asset value and assurance of liquidity and substitutability are verified with deep insight based on the many years of experience in regional areas.

In addition, the policy is to pursue expansion of asset size while being granted preferential negotiation rights for sales transactions pertaining to the acquisition of properties, including the “ArtizA” series of rental condominiums developed by Marimo, income-producing real estate held or purchased by Marimo and retail or hotel properties developed in Marimo’s urban redevelopment (Note) business, etc., based on the sponsor pipeline and support agreement. Along with this, the policy is to keep fully utilizing the abundant property network, property information sourcing strengths, etc. of Marimo and the eight supporting companies (The Mie Bank, Ltd., The Michinoku Bank, Ltd., The Tokyo Star Bank, Limited, The Chugoku Bank, Limited, Kansai Mirai Bank, Ltd., The Hiroshima Bank, Ltd., The Ashikaga Bank, Ltd. and ReBITA Inc.) and also property information obtained based on the network accumulated in the real estate industry by the employees of the Asset Manager and property information obtained based on maintaining favorable relationships with the tenants of portfolio properties for the steady external growth of marimo REIT.

Moreover, sale or replacement of properties are considered in cases where deemed appropriate over the medium to long term in portfolio building in light of market conditions.

(Note) Urban redevelopment refers to redevelopment to promote reasonable and sound high-level use and renewal of urban functions of land in urban areas.

(B) Internal Growth Strategy

Through appropriate management of assets with the provision of property management services, etc., provision of leasing support, provision of support in renovation of portfolio assets, provision of fixed-rent-type master lease agreements and other various support pertaining to internal growth from Marimo by setting the securing of stable revenue from leasing over the medium to long term as a target, marimo REIT shall aim for stability of revenue and enhancement of income-producing potential and thereby aim for maximization of unitholder value over the medium to long term.

Continuing on from the fiscal period under review, marimo REIT shall work to enhance lease business revenue, such as maintain asset value and competitiveness by implementing strategic value enhancement work, enhance occupancy rate, raise rent upon tenant replacement, and increase parking revenue and other incidental revenue, in light of the operational status of portfolio assets, surrounding competitive property trends and other real estate market conditions.

In addition, along with the measures serving to enhance lease business revenue, marimo REIT shall work to enhance revenue from leasing by striving for reduction of restoration and other repair and construction expenses, reduction of utility expenses by switching the electric power utility, environmental consideration/initiatives and cost reduction by switching lighting in common areas to LED, and reduction of offering expenses and other various expenses.

(C) Financial Strategy

marimo REIT shall engage in financing that would be for the realization of building of a stable asset management base, efficiency of asset management and soundness of financial standing over the medium to long term.

marimo REIT shall execute debt financing with staggering of debt maturities, lengthening of borrowing periods and lowering of borrowing interest rates in mind, and shall make efforts to maintain a bank formation comprising several financial institutions, including city banks, trust banks, and regional financial institutions that fully understand the characteristics of each region.

Issuance of new investment units shall be decided in light of the financial environment in due consideration of the dilution of existing unitholders’ rights and accompanying investment unit transaction price trends, etc., and also comprehensively taking into account various factors, such as the demand for funds for acquisition of properties, level of LTV ratio and repayment plan for interest-bearing liabilities.

② Significant Subsequent Events

(A) Issuance of New Investment Units

marimo REIT passed resolution at its Board of Directors' meetings held on January 6, 2020, and January 14, 2020, for the issuance of new investment units as follows. Payment was completed on January 20, 2020, for the issuance of new investment units through public offering and on February 17, 2020, for the issuance of new investment units through third-party allotment.

As a result, unitholders' capital stands at 14,869 million yen and the total number of investment units issued and outstanding at 152,680.

Issuance of New Investment Units Through Public Offering (Primary Offering)

Number of new investment units issued:	19,371 units
Issue price:	125,580 yen per unit
Total amount of issue price:	2,432,610,180 yen
Issue amount (Paid-in amount):	120,814 yen per unit
Total issue amount (Paid-in amount):	2,340,287,994 Yen
Payment due date:	January 20, 2020

(Issuance of New Investment Units Through Third-Party Allotment)

Number of new investment units issued:	969 units
Issue amount (Paid-in amount):	120,814 yen per unit
Total issue amount (Paid-in amount):	117,068,766 yen
Payment due date:	February 17, 2020
Allottee	SMBC Nikko Securities Inc.

(Use of Funds)

The proceeds from the primary offering (2,340,287,994 yen) have been allocated to part of the acquisition funds and acquisition-related expenses of assets described in "(c) Acquisition of Assets" below.

The proceeds from the issuance of new investment units through third-party allotment (117,068,766 yen) will serve as cash on hand to be allocated to acquisition of specified assets or repayment of borrowings in the future.

(B) Borrowing of Funds

marimo REIT borrowed 2,140 million yen from Sumitomo Mitsui Banking Corporation, The Hiroshima Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Shinsei Bank, Limited, The Mie Bank, Ltd., Aozora Bank, Ltd. and Resona Bank, Ltd. through a loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger, and 110 million yen from Sumitomo Mitsui Banking Corporation on January 21, 2020, to be used as part of the funds for acquisition and incidental expenses of the six properties described in "(c) Acquisition of Assets" below. Details are as follows.

	Lender	Loan amount (million yen)	Interest rate (Note 2)	Drawdown date	Maturity date	Repayment method	Note
Tranche 5-A	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 1)	2,140	Base rate (JBA 3-month Japanese Yen TIBOR) (Note 3) + 0.600% (floating rate)	January 21, 2020	January 21, 2023 (Note 4)	Lump-sum repayment at maturity	Unsecured and unguaranteed
Tranche 5-B	Sumitomo Mitsui Banking Corporation	110	Base rate (JBA 1-month Japanese Yen TIBOR) (Note 3) + 0.200% (floating rate)	January 21, 2020	January 21, 2021 (Note 4)	Lump-sum repayment at maturity	Unsecured and unguaranteed

(Note 1) The loan syndicate comprises Sumitomo Mitsui Banking Corporation, The Hiroshima Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Shinsei Bank, Limited, The Mie Bank, Ltd., Aozora Bank, Ltd. and Resona Bank, Ltd.

(Note 2) Not including borrowing expenses, etc. payable to the lender.

(Note 3) The base rate applicable to the calculation period for the interest payable on each interest payment date is the JBA TIBOR on the day two business days prior to each interest payment date (the drawdown date in the case of the first interest calculation period). For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/english/>). If the JBA 3-month Japanese Yen TIBOR falls below 0%, then the base rate shall be 0%.

(Note 4) If the concerned date is not a business day, then the maturity date shall be the next business day, but if that next business day falls into the next calendar month, then the maturity date shall be the business day preceding the concerned date.

(c) Acquisition of Assets

marimo REIT acquired the following six properties (acquisition price: 4,950 million yen) on January 21, 2020.

Property number (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 3)	Appraisal value (million yen) (Note 4)	Acquisition date
Rp-09	ArtizA Tsurumai	Naka-ku, Nagoya-shi, Aichi	Marimo Co., Ltd.	430	468	January 21, 2020
Rp-10	ArtizA Awajieki-higashi	Higashiyodogawa-ku, Osaka-shi, Osaka	Marimo Co., Ltd.	1,180	1,290	January 21, 2020
Rp-11	(Tentative name) ArtizA Matsumoto (Note 2)	Matsumoto-shi, Nagano	Marimo Co., Ltd.	640	665	January 21, 2020
Cp-12	(Tentative name) MRR Akita II (Note 2)	Akita-shi, Akita	Marimo Co., Ltd.	970	994	January 21, 2020
Ct-01	(Tentative name) MRR Ichihara (land ownership interests) (Note 2)	Ichihara-shi, Chiba	Marimo Co., Ltd.	700	1,190	January 21, 2020
Ct-02	(Tentative name) MRR Kitamoto (land ownership interests) (Note 2)	Kitamoto-shi, Saitama	Godo Kaisha Kitamoto Project	1,030	1,120	January 21, 2020
Total (6 properties)				4,950	5,727	-

(Note 1) "Property number" is the number assigned to each property by combining the asset type classifications of "investment targets" and "investment ratio by region" for the assets acquired by marimo REIT. "Investment targets" are represented by "R" for residential, "C" for retail, "H" for hotel and "O" for office, while "p" is for regional and "t" is for Tokyo metropolitan area. In cases of mixed-use properties of several uses (asset types), the investment target classification is based on the asset type that accounts for the largest percentage of lease revenue when full occupancy is assumed.

(Note 2) "(Tentative name) ArtizA Matsumoto," "(Tentative name) MRR Akita II," "(Tentative name) MRR Ichihara (land ownership interests)" and "(Tentative name) MRR Kitamoto (land ownership interests)" are tentative names as of the date of this document, and the names will be decided in the future. The same shall apply hereinafter.

(Note 3) "Acquisition price" indicates the purchase price of each real estate trust beneficiary right stated in each trust beneficiary right sale and purchase agreement (excluding consumption tax, local consumption tax and other miscellaneous expenses such as broker's commissions) for the assets acquired, rounded down to the nearest million yen.

(Note 4) "Appraisal value" indicates the appraisal value as of November 30, 2019, stated in each real estate appraisal report.

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending June 2020 (from January 1, 2020 to June 30, 2020) and Fiscal Period Ending December 2020 (from July 1, 2020 to December 31, 2020)

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> ● Fiscal period ending June 2020 (8th fiscal period) (from January 1, 2020 to June 30, 2020) (182 days) ● Fiscal period ending December 2020 (9th fiscal period) (from July 1, 2020 to December 31, 2020) (184 days)
Assets under management	<ul style="list-style-type: none"> ● The assumption is that marimo REIT will continue to hold the real estate trust beneficiary rights to 31 properties held as of the date of this document and that there will be no acquisition of new properties other than those through to the end of the fiscal period ending December 2020. ● In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc.
Operating revenue	<ul style="list-style-type: none"> ● Operating revenue from leasing of the portfolio assets, excluding newly acquired assets defined below, is calculated on the basis of rent, etc. stated in lease contracts in effect as of the date of this document, historical data, etc. Operating revenue from leasing of ArtizA Awajieki-higashi is calculated based on the fixed-rent-type master lease agreement concluded between the trustee and Marimo for the period from January 21, 2020, to the end of June 2020 which stipulates that (i) Regardless of the rent that Marimo receives from end tenants, Marimo shall pay the trustee rent equivalent to 95% of the assumed full-occupancy lease revenue, and (ii) If the rent that Marimo receives from end tenants exceeds the amount equivalent to 95% of the assumed full-occupancy lease revenue, Marimo shall pay the trustee that excess amount. Operating revenue from leasing of the six properties (real estate trust beneficiary rights) acquired on January 21, 2020, (the “newly acquired assets”) is calculated on the basis of the content of lease agreements provided by the previous beneficiary of the newly acquired assets, etc. and past tenants, market trends, etc., as well as the content of lease agreements in effect on the acquisition date, and by taking into account various factors, such as the assumed occupancy rate and rent fluctuation projections based on post-acquisition tenant move-in/move-out and rent level projections. ● The assumption is that there will be no delinquent or unpaid rent by tenants.
Operating expenses	<ul style="list-style-type: none"> ● Of operating expenses from leasing, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data, etc. (for the newly acquired assets, using historical data, etc. provided by the previous beneficiary, etc.) and by reflecting the factors causing fluctuation in expenses. ● Operating income from leasing after operating expenses from leasing (including depreciation) is deducted (excluding gain on sales of real estate properties) is expected to be 734 million yen for the fiscal period ending June 2020 and 762 million yen for the fiscal period ending December 2020. ● In general, fixed asset tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the previous beneficiary, etc. upon transactions of real estate, etc., but because the amount equivalent to the reimbursement is included in the cost of acquisition, fiscal 2020 fixed asset tax, city planning tax, etc. are expensed starting from the fiscal period ending June 2021 in the case of the newly acquired assets. Furthermore, the total amount of fixed asset tax, city planning tax, etc. to be expensed is expected to be 82 million yen for the fiscal period ending June 2021 and 83 million yen for the fiscal period ending December 2021. Of these, the amount of the effect of the acquisition of the newly acquired assets is expected to be 15 million yen for the fiscal period ending June 2021 and 15 million yen for the fiscal period ending December 2021. ● Repair expenses for buildings based on medium- to long-term repair plans formulated by the Asset Manager are expected to be 30 million yen for the fiscal period ending June 2020 and 33 million yen for the fiscal period ending December 2020. Furthermore, emergency repair expenses possibly arising from unforeseeable factors causing building damage, etc., the amount generally varying materially from fiscal year to fiscal year and not being an amount that arises periodically, etc. may result in repair expenses for each accounting period differing materially from the forecast amount. ● Depreciation is calculated by the straight-line method inclusive of incidental expenses and other future additional capital expenditures, and expected to be 244 million yen for the fiscal period ending June 2020 and 244 million yen for the fiscal period ending December 2020.
Non-operating expenses	<ul style="list-style-type: none"> ● Interest expenses and other borrowing related expenses are expected to be 92 million yen for the fiscal period ending June 2020 and 93 million yen for the fiscal period ending December 2020. In addition, expenses associated with the issuance of new investment units and the issuance of new investment units through third-party allotment for which resolution was passed at meetings of the Board of Directors of marimo REIT held on January 6, 2020, and January 14, 2020, are expected to be 28 million yen and amortized by the straight-line method over a period of 3 years. Investment unit issuance expenses inclusive of the above are expected to be 10 million yen for the fiscal period ending June 2020 and 10 million yen for the fiscal period ending December 2020.
Loans	<ul style="list-style-type: none"> ● marimo REIT borrowed 2,250 million yen on January 21, 2020, in line with the acquisition of the newly acquired

Item	Assumptions
	<p>assets.</p> <ul style="list-style-type: none"> • The assumption is that internal reserves from a portion of depreciation will be used as the source of funds to repay principal of 15 million yen every fiscal period. • The assumption is that total interest-bearing liabilities will be 16,007 million yen at the end of the fiscal period ending June 2020 and 15,992 million yen at the end of the fiscal period ending December 2020.
Investment units	<ul style="list-style-type: none"> • The assumption is the total number of investment units issued and outstanding as of the date of this document of 152,680 units. • The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending December 2020.
Dividends per unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> • Dividends per unit (excluding dividends in excess of earnings) is calculated based on the assumption that distribution will be in accordance with the policy on distribution of cash provided in marimo REIT's Articles of Incorporation. • Dividends per unit (excluding dividends in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.
Dividends in excess of earnings per unit	<ul style="list-style-type: none"> • Dividends in excess of earnings per unit is calculated in accordance with the policy provided in marimo REIT's Articles of Incorporation and the management guidelines that are the internal rules of the Asset Manager. • Distribution in excess of earnings is calculated based on the assumption that the sum total amount of taxation and accounting discrepancies are distributed as allowance for temporary difference adjustments for the purpose of tax reduction. • As of the date of this document, marimo REIT deems there to be no specific concerns of substantial deterioration in the external economic environment, real estate market conditions and financial status of marimo REIT. • For the fiscal period ending June 2020 and fiscal period ending December 2020, there are high needs to retain certain funds to respond in the event that opportunities to acquire new properties as investment that would serve to enhance the income-producing potential of the portfolio or such arises, but in light of marimo REIT's financial status, projected likelihood of refinancing borrowings, etc., the view is that marimo REIT is not in a state that calls for prioritized allocation of funds to reduce interest-bearing liabilities, etc. in both concerned accounting periods. As of the date of this document, execution of distribution in excess of earnings is deemed to be reasonable for the fiscal period ending June 2020 and fiscal period ending December 2020. As such, for the fiscal period ending June 2020, total dividends in excess of earnings is expected to be 68 million yen of which total dividends of allowance for temporary difference adjustments is 1 million yen and total other dividends in excess of earnings is 67 million yen, and for the fiscal period ending December 2020, total dividends in excess of earnings is expected to be 66 million yen of which total dividends of allowance for temporary difference adjustments is 1 million yen and other distribution in excess of earnings is 64 million yen (Note). <p>(Note 1) Distribution in excess of earnings shall be executed only when total appraisal value of real estate, etc. held as at the end of the accounting period (refers to the appraisal value in the real estate appraisal report with the end of the accounting period as the date of value that was obtained for real estate, etc. held by marimo REIT) exceeds total book value of real estate, etc. for the concerned accounting period plus total planned capital expenditures (refers to the total amount of reserve for capital expenditures) for the concerned accounting period's next period, but after also considering other options, such as utilization for repair expenses and capital expenditures and allocation to funds for repayment of borrowings or acquisition of new properties. To that end, distribution in excess of earnings is not executed even in the 8th fiscal period (fiscal period ending June 2020) and 9th fiscal period (fiscal period ending December 2020) regardless of the forecast above in the event that such conditions are not met.</p> <p>In addition, concerning the fiscal period ending June 2020 and fiscal period ending December 2020, as of the date of this document, marimo REIT adopts the policy of distributing as cash in excess of earnings an amount decided by marimo REIT each accounting period that is not to exceed the amount provided in the rules of The Investment Trusts Association, Japan (hereinafter, "JITA"), no more than the amount equivalent to 30% of depreciation for the concerned accounting period and within the scope not to exceed payout ratio (Note 2) of 75%. Accordingly, the distribution in excess of earnings may not take place or the amount of dividends in excess of earnings may decrease in the event of conflict with these limits.</p> <p>Moreover, in the event that substantial deterioration in the external economic environment, real estate market conditions, financial status of marimo REIT, etc. or such newly arise in the future, the policy as of the date of this document to execute distribution in excess of earnings as part of cash management in the fiscal period ending June 2020 and fiscal period ending December 2020 may be changed and there may also be cases where the distribution in excess of earnings may not take place or the amount of dividends in excess of earnings may decrease even in the fiscal period ending June 2020 and fiscal period ending December 2020. For instance, each accounting period's limits on the amount of dividends in excess of earnings like those above may be revised in the case that large-scale additional incorporation of new assets or other factors lead to large fluctuation in the revenue and expense structure of the portfolio or such newly arising, in the case of material change in the financial environment, real estate investment trust market conditions, etc. or in other cases in the period up to when the distribution in excess of earnings for the concerned accounting period is ultimately executed.</p> <p>(Note 2) "Payout ratio" refers to the ratio of total dividends including distribution in excess of earnings to the amount of net income plus depreciation. The same shall apply hereinafter.</p>
Other	<ul style="list-style-type: none"> • The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations, JITA rules, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted because there is no significant change from "Investment Risks" in the most recent securities registration statement (submitted on January 6, 2020, including amendments thereto).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	6th fiscal period (As of June 30, 2019)	7th fiscal period (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,086,844	1,359,172
Cash and deposits in trust	1,935,258	1,878,767
Operating accounts receivable	7,729	7,614
Prepaid expenses	29,236	53,837
Consumption taxes receivable	5,121	—
Other	—	4,654
Total current assets	3,064,189	3,304,045
Non-current assets		
Property, plant and equipment		
Buildings in trust	11,649,518	11,675,924
Accumulated depreciation	(1,050,836)	(1,259,445)
Buildings in trust, net	10,598,682	10,416,478
Structures in trust	270,705	270,705
Accumulated depreciation	(31,442)	(37,493)
Structures in trust, net	239,262	233,212
Machinery and equipment in trust	118,437	118,437
Accumulated depreciation	(15,911)	(18,835)
Machinery and equipment in trust, net	102,525	99,602
Tools, furniture and fixtures in trust	24,066	29,976
Accumulated depreciation	(2,770)	(4,909)
Tools, furniture and fixtures in trust, net	21,296	25,067
Land in trust	14,004,270	13,780,877
Total property, plant and equipment	24,966,037	24,555,237
Intangible assets		
Leasehold rights in trust	3,967	3,839
Software	2,360	1,769
Total intangible assets	6,327	5,609
Investments and other assets		
Long-term prepaid expenses	25,269	60,979
Deferred tax assets	14	14
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,500	13,500
Total investments and other assets	48,783	84,493
Total non-current assets	25,021,148	24,645,340
Deferred assets		
Investment unit issuance expenses	16,887	11,258
Total deferred assets	16,887	11,258
Total assets	28,102,226	27,960,644

(Unit: thousand yen)

	6th fiscal period (As of June 30, 2019)	7th fiscal period (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	119,623	73,160
Short-term loans payable	700,000	—
Current portion of long-term loans payable	3,360,000	30,000
Accrued expenses	133,554	140,493
Income taxes payable	899	892
Accrued consumption taxes	—	28,206
Advances received	177,164	173,414
Current portion of tenant leasehold and security deposits in trust	49,321	48,121
Other	24,859	5,614
Total current liabilities	4,565,423	499,902
Non-current liabilities		
Long-term loans payable	9,727,500	13,742,500
Tenant leasehold and security deposits in trust	1,239,750	1,212,964
Asset retirement obligations	18,261	18,280
Other	43	54
Total non-current liabilities	10,985,555	14,973,800
Total liabilities	15,550,978	15,473,703
Net assets		
Unitholders' equity		
Unitholders' capital	12,412,622	12,412,622
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(5,342)	(6,533)
Other deduction from unitholders' capital	(252,456)	(317,303)
Total deduction from unitholders' capital	(257,799)	(323,837)
Unitholders' capital, net	12,154,823	12,088,785
Surplus		
Unappropriated retained earnings (undisposed loss)	396,424	398,155
Total surplus	396,424	398,155
Total unitholders' equity	12,551,247	12,486,940
Total net assets	12,551,247	12,486,940
Total liabilities and net assets	28,102,226	27,960,644

(2) Statement of Income

(Unit: thousand yen)

	6th fiscal period From: Jan. 1, 2019 To: June 30, 2019	7th fiscal period From: July 1, 2019 To: Dec. 31, 2019
Operating revenue		
Lease business revenue	1,066,125	1,073,574
Other lease business revenue	54,908	51,908
Gain on sales of real estate properties	—	3,818
Total operating revenue	1,121,033	1,129,301
Operating expenses		
Expenses related to rent business	490,041	479,297
Asset management fee	98,145	101,589
Asset custody fee	1,396	1,397
Administrative service fees	14,131	12,190
Directors' compensations	2,400	2,400
Taxes and dues	10,916	13,755
Other operating expenses	32,422	35,957
Total operating expenses	649,455	646,588
Operating income	471,578	482,713
Non-operating income		
Interest income	14	14
Interest on refund	—	24
Insurance income	1,258	846
Total non-operating income	1,272	885
Non-operating expenses		
Interest expenses	50,809	54,397
Borrowing related expenses	19,128	24,586
Amortization of investment unit issuance expenses	5,629	5,629
Total non-operating expenses	75,567	84,613
Ordinary income	397,283	398,984
Net income before income taxes	397,283	398,984
Income taxes - current	902	894
Income taxes - deferred	(1)	0
Total income taxes	900	894
Net income	396,382	398,089
Retained earnings brought forward	41	66
Unappropriated retained earnings (undisposed loss)	396,424	398,155

(3) Statement of Unitholders' Equity

6th fiscal period (from January 1, 2019 to June 30, 2019)

(Unit: thousand yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
Allowance for temporary difference adjustments		Other deduction from unitholders' capital	Total deduction from unitholders' capital		
Balance at beginning of current period	12,412,622	(4,151)	(192,771)	(196,923)	12,215,699
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,191)		(1,191)	(1,191)
Other distribution in excess of earnings			(59,685)	(59,685)	(59,685)
Net income					
Total changes of items during period	-	(1,191)	(59,685)	(60,876)	(60,876)
Balance at end of current period	12,412,622	(5,342)	(252,456)	(257,799)	12,154,823

(Unit: thousand yen)

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	395,076	395,076	12,610,776	12,610,776
Changes of items during period				
Dividends of surplus	(395,034)	(395,034)	(395,034)	(395,034)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,191)	(1,191)
Other distribution in excess of earnings			(59,685)	(59,685)
Net income	396,382	396,382	396,382	396,382
Total changes of items during period	1,347	1,347	(59,528)	(59,528)
Balance at end of current period	396,424	396,424	12,551,247	12,551,247

7th fiscal period (from July 1, 2019 to December 31, 2019)

(Unit: thousand yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
Allowance for temporary difference adjustments		Other deduction from unitholders' capital	Total deduction from unitholders' capital		
Balance at beginning of current period	12,412,622	(5,342)	(252,456)	(257,799)	12,154,823
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,191)		(1,191)	(1,191)
Other distribution in excess of earnings			(64,846)	(64,846)	(64,846)
Net income					
Total changes of items during period	—	(1,191)	(64,846)	(66,037)	(66,037)
Balance at end of current period	12,412,622	(6,533)	(317,303)	(323,837)	12,088,785

(Unit: thousand yen)

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	396,424	396,424	12,551,247	12,551,247
Changes of items during period				
Dividends of surplus	(396,358)	(396,358)	(396,358)	(396,358)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,191)	(1,191)
Other distribution in excess of earnings			(64,846)	(64,846)
Net income	398,089	398,089	398,089	398,089
Total changes of items during period	1,731	1,731	(64,306)	(64,306)
Balance at end of current period	398,155	398,155	12,486,940	12,486,940

(4) Statement of Distribution of Cash

	6th fiscal period From: Jan. 1, 2019 To: June 30, 2019	7th fiscal period From: July 1, 2019 To: Dec. 31, 2019
I. Unappropriated retained earnings	396,424,363 yen	398,155,403 yen
II. Addition of dividends in excess of earnings	66,037,660 yen	65,640,640 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,191,060 yen	1,191,060 yen
Other deduction from unitholders' capital	64,846,600 yen	64,449,580 yen
III. Dividends	462,395,960 yen	463,719,360 yen
[Dividends per unit]	[3,494 yen]	[3,504 yen]
<i>Of which,</i>		
Dividends of earnings	396,358,300 yen	398,078,720 yen
[Dividends of earnings per unit]	[2,995 yen]	[3,008 yen]
Allowance for temporary difference adjustments	1,191,060 yen	1,191,060 yen
[Dividends in excess of earnings per unit (attributable to allowance for temporary difference adjustments)]	[9 yen]	[9 yen]
Other dividends in excess of earnings	64,846,600 yen	64,449,580 yen
[Dividends in excess of earnings per unit (attributable to other dividends in excess of earnings)]	[490 yen]	[487 yen]
IV. Retained earnings carried forward	66,063 yen	76,683 yen
Method of calculation of dividends	<p>In accordance with the policy on distribution of cash provided in Article 25, Paragraph 1 of marimo REIT's Articles of Incorporation, dividends shall be the amount of distribution in excess of the amount equivalent to 90% of the amount of marimo REIT's earnings available for distribution provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation.</p> <p>Based on such policy, the decision was made to distribute 396,358,300 yen, which is the largest integral multiple of the total number of investment units issued and outstanding at end of period in an amount not in excess of unappropriated retained earnings, as dividends of earnings.</p> <p>Furthermore, in accordance with the policy on distribution of cash provided in Article 25, Paragraph 2 of the Articles of Incorporation, marimo REIT shall execute distribution in excess of earnings in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 66,037,660 yen, which is the amount roughly equivalent to 30% of depreciation for the fiscal period under review, as dividends in excess of earnings. This resulted in dividends in excess of earnings per unit of 499 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,191,060 yen, resulting in allowance for temporary difference adjustments per unit of 9 yen.</p>	<p>In accordance with the policy on distribution of cash provided in Article 25, Paragraph 1 of marimo REIT's Articles of Incorporation, dividends shall be the amount of distribution in excess of the amount equivalent to 90% of the amount of marimo REIT's earnings available for distribution provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation.</p> <p>Based on such policy, the decision was made to distribute 398,078,720 yen, which is the largest integral multiple of the total number of investment units issued and outstanding at end of period in an amount not in excess of unappropriated retained earnings, as dividends of earnings.</p> <p>Furthermore, in accordance with the policy on distribution of cash provided in Article 25, Paragraph 2 of the Articles of Incorporation, marimo REIT shall execute distribution in excess of earnings in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 65,640,640 yen, which is the amount roughly equivalent to 30% of depreciation for the fiscal period under review, as dividends in excess of earnings. This resulted in dividends in excess of earnings per unit of 496 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,191,060 yen, resulting in allowance for temporary difference adjustments per unit of 9 yen.</p>

(5) Statement of Cash Flows

(Unit: thousand yen)

	6th fiscal period From: Jan. 1, 2019 To: June 30, 2019	7th fiscal period From: July 1, 2019 To: Dec. 31, 2019
Cash flows from operating activities		
Net income before income taxes	397,283	398,984
Depreciation	221,670	220,460
Amortization of investment unit issuance expenses	5,629	5,629
Interest income	(14)	(14)
Interest expenses	50,809	54,397
Decrease (increase) in operating accounts receivable	745	114
Decrease (increase) in consumption taxes refund receivable	(5,121)	5,121
Increase (decrease) in accrued consumption taxes	(30,006)	28,206
Decrease (increase) in prepaid expenses	10,036	(24,600)
Increase (decrease) in operating accounts payable	27,643	(15,798)
Increase (decrease) in accrued expenses	(678)	4,028
Increase (decrease) in advances received	8,551	(3,749)
Decrease in property, plant and equipment in trust due to sale	—	223,392
Decrease (increase) in long-term prepaid expenses	12,046	(35,710)
Other, net	20,784	(24,741)
Subtotal	719,380	835,720
Interest income received	14	14
Interest expenses paid	(52,345)	(51,487)
Income taxes paid	(878)	(902)
Net cash provided by (used in) operating activities	666,170	783,344
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(780,938)	(62,980)
Payments into restricted deposits	(0)	(0)
Net cash provided by (used in) investing activities	(780,938)	(62,980)
Cash flows from financing activities		
Proceeds from short-term loans payable	700,000	—
Decrease in short-term loans payable	—	(700,000)
Proceeds from long-term loans payable	—	4,030,000
Repayments of long-term loans payable	(15,000)	(3,345,000)
Dividends paid	(455,399)	(461,541)
Net cash provided by (used in) financing activities	229,600	(476,541)
Net increase (decrease) in cash and cash equivalents	114,832	243,822
Cash and cash equivalents at beginning of period	1,589,197	1,704,030
Cash and cash equivalents at end of period	1,704,030	1,947,852

- (6) Notes on the Going Concern Assumption
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment The straight-line method is adopted. Furthermore, the useful life of core property, plant and equipment is as follows: Buildings in trust 2–64 years Structures in trust 5–58 years Machinery and equipment in trust 10–27 years Tools, furniture and fixtures in trust 3–15 years</p> <p>(2) Intangible assets The straight-line method is adopted. Furthermore, the remaining or useful life of core intangible assets is as follows: Leasehold rights in trust 19 years Software 5 years</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>
<p>2. Accounting for deferred assets</p>	<p>Investment unit issuance expenses Amortized using the straight-line method over 3 years.</p>
<p>3. Standards for revenue and expense recognition</p>	<p>Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. (hereinafter, “fixed asset tax, etc.”) on real estate or trust beneficiary rights that have real estate as trust assets held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to rent business. Furthermore, the amount equivalent to fixed asset tax, etc. in the initial fiscal year borne by marimo REIT upon acquisition of real estate or trust beneficiary rights that have real estate as trust assets is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was 3,723 thousand yen for the 6th fiscal period. For the 7th fiscal period, there is no applicable amount.</p>
<p>4. Scope of funds in the statement of cash flows</p>	<p>The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>
<p>5. Other significant matters serving as the basis for preparation of the financial statements</p>	<p>(1) Accounting for trust beneficiary rights that have real estate, etc. as trust assets Concerning trust beneficiary rights that have real estate, etc. as trust assets held, all accounts of assets and liabilities within trust assets and all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. ① Cash and deposits in trust ② Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust ③ Leasehold interest in trust ④ Lease and guarantee deposits in trust ⑤ Current portion of tenant leasehold and security deposits in trust ⑥ Tenant leasehold and security deposits in trust</p> <p>(2) Accounting for consumption tax, etc. The accounting for consumption tax and local consumption tax is that the taxes are excluded from transaction amounts. Furthermore, non-deductible consumption tax on acquisition of assets is included in the cost of acquisition of each asset.</p>

[Additional Information]

[Notes on Provision and Reversal of Allowance for Temporary Difference Adjustments]

6th fiscal period (from January 1, 2019 to June 30, 2019)

1. Reason, related assets, etc. and amount of provision

The posting of MRR Omuta's amortization of leasehold interest for leasehold interest in trust and amount in excess of depreciation limit and also asset retirement obligation related expenses led to taxation and accounting discrepancies. Accordingly, allowance for temporary difference adjustments of 1,191 thousand yen was posted in the statement of distribution of cash.

2. Specific method of reversal

For the allowance for temporary difference adjustments of the amortization of leasehold rights for leasehold rights in trust and amount in excess of depreciation limit, the plan is reversal of the corresponding amount at the time of inclusion in deductible expenses upon redemption and sale of leasehold rights and accompanying building removal and also building sale, etc.

In addition, for the allowance for temporary difference adjustments of the asset retirement obligation related expenses, the plan is reversal of the corresponding amount at the time of inclusion in deductible expenses upon building removal and sale, etc.

7th fiscal period (from July 1, 2019 to December 31, 2019)

1. Reason, related assets, etc. and amount of provision

The posting of MRR Omuta's amortization of leasehold interest for leasehold interest in trust and amount in excess of depreciation limit and also asset retirement obligation related expenses led to taxation and accounting discrepancies. Accordingly, allowance for temporary difference adjustments of 1,191 thousand yen was posted in the statement of distribution of cash.

2. Specific method of reversal

For the allowance for temporary difference adjustments of the amortization of leasehold rights for leasehold rights in trust and amount in excess of depreciation limit, the plan is reversal of the corresponding amount at the time of inclusion in deductible expenses upon redemption and sale of leasehold rights and accompanying building removal and also building sale, etc.

In addition, for the allowance for temporary difference adjustments of the asset retirement obligation related expenses, the plan is reversal of the corresponding amount at the time of inclusion in deductible expenses upon building removal and sale, etc.