

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

August 19, 2019

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Scheduled date of commencement of dividends payment: September 13, 2019

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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 June 2019 (from January 1, 2019 to June 30, 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 June 2019	1,121	2.5	471	0.1	397	0.3	396	0.3
Ended Dec. 2018	1,093	3.4	471	(0.2)	395	0.1	395	0.1

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 June 2019	2,995	3.2	1.4	35.4
Ended Dec. 2018	2,984	3.1	1.4	36.2

(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 June 2019	2,995	396	499	66	3,494	462	100.0	3.2
Ended Dec. 2018	2,985	395	460	60	3,445	455	100.0	3.1

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended December 2018 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 59 million yen (451 yen per unit).

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).

(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 December 2018 is 0.005 and for the fiscal period ended June 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 June 2019	28,102	12,551	44.7	94,840
Ended Dec. 2018	27,492	12,610	45.9	95,290

(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 June 2019	666	(780)	229	1,704
Ended Dec. 2018	772	(84)	(615)	1,589

2. Operating Forecasts for the Fiscal Period Ending December 2019 (from July 1, 2019 to December 31, 2019) and Operating Forecasts for the Fiscal Period Ending June 2020 (from January 1, 2020 to June 30, 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 Dec. 2019	1,105	(1.3)	468	(0.6)	385	(3.0)	384	(3.1)	2,903	497	3,400
Ending June 2020	1,100	(0.5)	469	0.2	385	(0.0)	384	(0.0)	2,902	498	3,400

(Reference) Forecast net income per unit (Forecast net income ÷ Forecast average number of investment units during period)
Fiscal period ending December 2019: 2,903 yen Fiscal period ending June 2020: 2,902 yen

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

* 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 June 2019	132,340 units	Fiscal period ended Dec.2018	132,340 units
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- ② Number of treasury investment units at end of period

Fiscal period ended June 2019	0 units	Fiscal period ended Dec.2018	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 December 2019 (from July 1, 2019 to December 31, 2019) and Fiscal Period Ending June 2020 (from January 1, 2020 to June 30, 2020)" on page 7.

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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) 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) Amounts are rounded down to the nearest million yen. Unless otherwise stated, the same shall apply hereinafter.

② Investment Environment

In the fiscal period under review, the Japanese economy experienced positive growth with an annualized real GDP growth rate of 2.2% for the period from January to March 2019 (seasonally adjusted; second preliminary estimate). Compared with the period from July to September 2018, domestic demand improved from -0.6% to +0.1%. The breakdown shows improvements in private demand (from -0.7% to +0.1%) and private-sector capital investment (from -2.8% to +0.3%), both turning to positive to bring about overall positive growth. Going forward, attention should be paid to the U.S.-China trade friction, future course of the Brexit negotiations, trends of crude oil prices and such.

(Financial Market)

Due to the Bank of Japan's monetary easing policy, the JBA 3-month Japanese Yen TIBOR maintained a stable level at 0.06909% since late January 2018, and the TIBOR for the fiscal period under review also remained at the same level until May 30, 2019, when it was lowered to 0.06727%. Since the outlook continues to be uncertain due to the consumption tax hike, moves for 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 (June 2019)" published by The Association for Real Estate Securitization, the J-REIT real estate transaction market in the period from January to April 2019 contracted by approximately 331.5 billion yen year on year (-33.4% year on year) to approximately 659.8 billion yen in terms of total acquisition price. The total sales price decreased by 111.4 billion yen year on year (-47.9% year on year) to approximately 121.1 billion yen. The decrease in real estate transaction amount is believed to have resulted from the rise in real estate prices due to funds that were procured at low interest rates brought by the Bank of Japan's monetary easing policy being invested in real estate, etc. Therefore, 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 2013 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 (non-wooden) 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 the "Current Survey of Commerce" by the Ministry of Economy, Trade and Industry, for the period from January to March 2019, the rate of increase in sales value compared with the same period of the previous year for supermarkets was -0.3% on average nationally. However, by area, there were some areas that showed growth (+0.4% for the Kyushu area, +0.2% for the Shikoku area, +0.2% for the Hokkaido area). As for drug stores, the rate of increase was +5.0% on average

nationally, with particularly high growth of +10.2% for the Okinawa area, +6.9% for the Chugoku area, +6.4% for the Shikoku area, +6.2% for the Tohoku area, and +6.2% for the Chubu area, showing an upward trend across the nation. The sales value of supermarkets and drug stores selling daily necessities is expected to continue to be stable.

(Hotel Market)

According to "Visitor Arrivals to Japan (estimate for May 2019)" by Japan National Tourism Organization, the number of international visitors to Japan in the period from January to May 2019 increased to 13.75 million or up 4.2% year on year (including estimates). As a result, according to the "Overnight Travel Statistics Survey (April 2019/second preliminary estimates, May 2019/first preliminary estimates)" by the Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism, the total number of overnight international guests for April 2019 increased to 10.06 million (+13.3% year on year); and the guest room occupancy rates by accommodation facility type continued to show upward trends with 82.8% (+0.7% year on year) for city hotels, 78.9% (+2.8% year on year) for business hotels and 57.5% (+1.8% year on year) for resort hotels, suggesting that stable occupancy can be expected going forward as well.

(Office Leasing Market)

According to the "Japan Office MarketView Q1 2019" by CBRE K.K., in the first quarter of 2019, the vacancy rate for major regional cities continued on a decreasing trend in general compared with the previous quarter, with 0.2% (-0.2 pts quarter on quarter) for Fukuoka City, 0.8% (-0.3 pts quarter on quarter) for Sapporo City, 1.0% (-0.1 pts quarter on quarter) for Nagoya City, 1.3% (-0.4 pts quarter on quarter) for Osaka City and 3.2% (+0.9 pts quarter on quarter) for Hiroshima City. In addition, assumed contract rents showed an upward trend, with 15,190 yen/tsubo (+2.6% quarter on quarter) for Fukuoka City and 11,420 yen/tsubo (+1.7% quarter on quarter) for Hiroshima City. Thus, the ongoing upward trend in rent is likely to continue amid tight a supply-demand balance.

③ Management Performance

In the fiscal period under review, marimo REIT newly acquired Artiza Higashi-Shimada (acquisition price (Note): 700 million yen) from the sponsor Marimo Co., Ltd. (hereinafter, "Marimo") on January 4, 2019. In addition, management for maintaining and enhancing the competitiveness of portfolio assets was performed through integrated promotion of property management operations of the Asset Manager and each of the bases of the property management company, Marimo, at all properties, conducting 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., and further implementing value enhancement work to install wet-area facilities and equipment and flooring materials of outstanding design and durability at residential properties upon tenant replacement, as well as additionally striving for enhancement of functionality, convenience, etc., including installation of rooftop mobile phone base stations, installation of rental bikes and installation of vending machines, and implementing measures for enhancement of customer satisfaction. As a result, marimo REIT's portfolio assets as of the end of the fiscal period under review (26 properties; total acquisition price: 25,225 million yen) has an occupancy rate of 98.9% and period-average occupancy rate of 98.6%. In addition, cost-reduction measures implemented included changing of surveillance cameras at Artiza Kamimaezu; switching of the electric power utility at Artiza Higashi-Shimada; and introduction of electronic breakers for reducing utility expenses at Artiza Hakataeki-Minami and Artiza Hakata PREMIER. Furthermore, replacement of the air-conditioning system and installation of LED in the parking building were implemented at MRR Delta Building and MRR Kumamoto, respectively, as initiatives for environmental consideration.

(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, 700 million yen was borrowed on January 4, 2019, upon the acquisition of Artiza Higashi-Shimada. Of long-term loans borrowed on August 1, 2016 (Tranche D: loan balance of 1,432 million yen), funds on hand were used to execute contractual repayment of 7 million yen on February 1, 2019, and 7 million yen on May 1, 2019. As a result, as at the end of the fiscal period under review (end of June 2019), the balance of loans outstanding was 13,787 million yen (Note) and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 49.1%.

(Note) As described in "2. Significant Subsequent Events (Reference Information) (A) Borrowing of Funds" below, marimo REIT borrowed long-term loans of 4,030 million yen to repay a long-term loan of 3,330 million yen and short-term loan of 700 million yen on August 1, 2019. On the same day, 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 13,780 million yen as of the date of this document.

⑤ Overview of Business Performance

As a result of the above, business performance for the fiscal period under review was operating revenue of 1,121 million yen, operating income of 471 million yen, ordinary income of 397 million yen and net income of 396 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 2,995 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 66 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 499 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 74.8%.

(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 6th fiscal period (fiscal period ended June 2019) was 29,496 million yen, which exceeds the sum total of total book value of real estate, etc. (24,970 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 7th fiscal period (191 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 24,966 million yen and leasehold interest posted to intangible assets of 3 million yen.

(Note 3) For the 26 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 60 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 53 million yen for the fiscal period ending December 2019 and 17 million yen for the fiscal period ending June 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 seven 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

Not applicable.

(Reference Information)

(A) Borrowing of Funds

marimo REIT decided at its Board of Directors' meeting held on July 23, 2019 to borrow funds to repay a long-term loan of 3,330 million yen and short-term loan of 700 million yen due for repayment on August 1, 2019, and borrowed funds on August 1, 2019 as follows.

(1) Long-term loan (Tranche 4-A)

①	Lender	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 1)
②	Loan amount	2,015 million yen
③	Interest rate (Note 2)	Base rate (JBA 3-month Japanese Yen TIBOR) (Note 3) + 0.600% (floating rate)
④	Drawdown date	August 1, 2019
⑤	Borrowing method	Borrowing based on individual term loan agreement concluded with the lenders shown above on July 30, 2019
⑥	Maturity date	August 1, 2022
⑦	Principle repayment method	Lump-sum repayment at maturity
⑧	Interest payment date	The first interest payment date shall be November 1, 2019, and subsequent interest payment dates shall be the 1st of every third calendar month thereafter as well as the maturity date (Note 4)
⑨	Security	Unsecured and unguaranteed

(2) Long-term loan (Tranche 4-B)

①	Lender	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 1)
②	Loan amount	2,015 million yen
③	Interest rate (Note 2)	Base rate (JBA 3-month Japanese Yen TIBOR) (Note 3) + 0.800% (floating rate)
④	Drawdown date	August 1, 2019
⑤	Borrowing method	Borrowing based on individual term loan agreement concluded with the lenders shown above on July 30, 2019
⑥	Maturity date	August 1, 2024
⑦	Principle repayment method	Lump-sum repayment at maturity
⑧	Interest payment date	The first interest payment date shall be November 1, 2019, and subsequent interest payment dates shall be the 1st of every third calendar month thereafter as well as the maturity date (Note 4)
⑨	Security	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., Resona Bank, Ltd., Chugoku Bank, Ltd. and Aozora 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 shall be decided 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 it shall be the next business day, but if that next business day falls into the next calendar month, then it shall be the business day preceding the concerned date.

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending December 2019 (from July 1, 2019 to December 31, 2019) and Fiscal Period Ending June 2020 (from January 1, 2020 to June 30, 2020)

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> • Fiscal period ending December 2019 (7th fiscal period) (from July 1, 2019 to December 31, 2019) (184 days) • Fiscal period ending June 2020 (8th fiscal period) (from January 1, 2020 to June 30, 2020) (182 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 26 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 June 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 portfolio assets is calculated on the basis of rent, etc. stated in lease contracts in effect as of the date of this document, historical data, etc. • 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. 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 631 million yen for the fiscal period ending December 2019 and 622 million yen for the fiscal period ending June 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 2019 fixed asset tax, city planning tax, etc. are expensed starting from the fiscal period ending June 2020 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 83 million yen for the fiscal period ending June 2020 and 83 million yen for the fiscal period ending December 2020. Of these, the amount of the effect of the acquisition of the newly acquired assets is expected to be 1 million yen for the fiscal period ending June 2020 and 1 million yen for the fiscal period ending December 2020. • Repair expenses for buildings based on medium- to long-term repair plans formulated by the Asset Manager are expected to be 26 million yen for the fiscal period ending December 2019 and 27 million yen for the fiscal period ending June 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 219 million yen for the fiscal period ending December 2019 and 220 million yen for the fiscal period ending June 2020.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing related expenses are expected to be 77 million yen for the fiscal period ending December 2019 and 78 million yen for the fiscal period ending June 2020. • Amortization of investment unit issuance expenses is expected to be 5 million yen for the fiscal period ending December 2019 and 5 million yen for the fiscal period ending June 2020.
Loans	<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 13,772 million yen at the end of the fiscal period ending December 2019 and 13,757 million yen at the end of the fiscal period ending June 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 132,340 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 June 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.

Item	Assumptions
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 December 2019 and fiscal period ending June 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 it is not in a state that calls for prioritized allocation of funds to reducing interest-bearing liabilities, etc. in both concerned accounting periods. ● Depreciation for portfolio assets is expected to be 219 million yen for the fiscal period ending December 2019 and 220 million yen for the fiscal period ending June 2020. Meanwhile, 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 for portfolio assets is 60 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 53 million yen for the fiscal period ending December 2019 and 17 million yen for the fiscal period ending June 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 as described above 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. ● In light of the above, as of the date of this document, execution of distribution in excess of earnings is deemed to be reasonable for the fiscal period ending December 2019 and fiscal period ending June 2020. As such, for the fiscal period ending December 2019, total dividends in excess of earnings is expected to be 65 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 64 million yen, and for the fiscal period ending June 2020, total dividends in excess of earnings is expected to be 65 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 1). In this case, the total dividends in excess of earnings is expected to be the amount equivalent to 29.9% and 29.9%, respectively, of the depreciation expected to be incurred in the concerned accounting period, and payout ratio (Note 2) is expected to be 74.4% and 74.3%, respectively. <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 7th fiscal period (fiscal period ending December 2019) and 8th fiscal period (fiscal period ending June 2020) regardless of the forecast above in the event that such conditions are not met.</p> <p>In addition, 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 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 December 2019 and fiscal period ending June 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 December 2019 and fiscal period ending June 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 report (submitted on March 28, 2019).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	5th fiscal period (As of Dec. 31, 2018)	6th fiscal period (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	1,018,870	1,086,844
Cash and deposits in trust	1,923,690	1,935,258
Operating accounts receivable	8,474	7,729
Prepaid expenses	39,272	29,236
Consumption taxes receivable	—	5,121
Other	93	—
Total current assets	2,990,402	3,064,189
Non-current assets		
Property, plant and equipment		
Buildings in trust	11,110,758	11,649,518
Accumulated depreciation	(839,726)	(1,050,836)
Buildings in trust, net	10,271,031	10,598,682
Structures in trust	265,363	270,705
Accumulated depreciation	(25,391)	(31,442)
Structures in trust, net	239,971	239,262
Machinery and equipment in trust	114,331	118,437
Accumulated depreciation	(13,158)	(15,911)
Machinery and equipment in trust, net	101,173	102,525
Tools, furniture and fixtures in trust	10,129	24,066
Accumulated depreciation	(1,749)	(2,770)
Tools, furniture and fixtures in trust, net	8,379	21,296
Land in trust	13,790,968	14,004,270
Construction in progress in trust	112	—
Total property, plant and equipment	24,411,637	24,966,037
Intangible assets		
Leasehold rights in trust	4,094	3,967
Software	2,951	2,360
Total intangible assets	7,045	6,327
Investments and other assets		
Long-term prepaid expenses	37,315	25,269
Deferred tax assets	13	14
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,500	13,500
Total investments and other assets	60,828	48,783
Total non-current assets	24,479,511	25,021,148
Deferred assets		
Investment unit issuance expenses	22,516	16,887
Total deferred assets	22,516	16,887
Total assets	27,492,430	28,102,226

(Unit: thousand yen)

	5th fiscal period (As of Dec. 31, 2018)	6th fiscal period (As of June 30, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	97,585	119,623
Short-term loans payable	—	700,000
Current portion of long-term loans payable	3,360,000	3,360,000
Accrued expenses	135,768	133,554
Income taxes payable	875	899
Accrued consumption taxes	30,006	—
Advances received	168,612	177,164
Current portion of tenant leasehold and security deposits in trust	51,817	49,321
Other	3,622	24,859
Total current liabilities	3,848,288	4,565,423
Non-current liabilities		
Long-term loans payable	9,742,500	9,727,500
Tenant leasehold and security deposits in trust	1,272,545	1,239,750
Asset retirement obligations	18,241	18,261
Other	78	43
Total non-current liabilities	11,033,366	10,985,555
Total liabilities	14,881,654	15,550,978
Net assets		
Unitholders' equity		
Unitholders' capital	12,412,622	12,412,622
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(4,151)	(5,342)
Other deduction from unitholders' capital	(192,771)	(252,456)
Total deduction from unitholders' capital	(196,923)	(257,799)
Unitholders' capital, net	12,215,699	12,154,823
Surplus		
Unappropriated retained earnings (undisposed loss)	395,076	396,424
Total surplus	395,076	396,424
Total unitholders' equity	12,610,776	12,551,247
Total net assets	12,610,776	12,551,247
Total liabilities and net assets	27,492,430	28,102,226

(2) Statement of Income

(Unit: thousand yen)

	5th fiscal period From: July 1, 2018 To: Dec. 31, 2018	6th fiscal period From: Jan. 1, 2019 To: June 30, 2019
Operating revenue		
Lease business revenue	1,040,211	1,066,125
Other lease business revenue	53,728	54,908
Total operating revenue	1,093,940	1,121,033
Operating expenses		
Expenses related to rent business	462,255	490,041
Asset management fee	98,854	98,145
Asset custody fee	1,378	1,396
Administrative service fees	14,518	14,131
Directors' compensations	2,400	2,400
Taxes and dues	9,746	10,916
Other operating expenses	33,585	32,422
Total operating expenses	622,739	649,455
Operating income	471,201	471,578
Non-operating income		
Interest income	13	14
Interest on refund	114	—
Insurance income	52	1,258
Total non-operating income	180	1,272
Non-operating expenses		
Interest expenses	50,951	50,809
Borrowing related expenses	18,902	19,128
Amortization of investment unit issuance expenses	5,629	5,629
Total non-operating expenses	75,483	75,567
Ordinary income	395,898	397,283
Net income before income taxes	395,898	397,283
Income taxes - current	877	902
Income taxes - deferred	3	(1)
Total income taxes	881	900
Net income	395,016	396,382
Retained earnings brought forward	59	41
Unappropriated retained earnings (undisposed loss)	395,076	396,424

(3) Statement of Unitholders' Equity
5th fiscal period (from July 1, 2018 to December 31, 2018)

(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	(3,092)	(133,086)	(136,179)	12,276,443
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,058)		(1,058)	(1,058)
Other distribution in excess of earnings			(59,685)	(59,685)	(59,685)
Net income					
Total changes of items during period	-	(1,058)	(59,685)	(60,744)	(60,744)
Balance at end of current period	12,412,622	(4,151)	(192,771)	(196,923)	12,215,699

(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	394,697	394,697	12,671,141	12,671,141
Changes of items during period				
Dividends of surplus	(394,637)	(394,637)	(394,637)	(394,637)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,058)	(1,058)
Other distribution in excess of earnings			(59,685)	(59,685)
Net income	395,016	395,016	395,016	395,016
Total changes of items during period	378	378	(60,365)	(60,365)
Balance at end of current period	395,076	395,076	12,610,776	12,610,776

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

(4) Statement of Distribution of Cash

	5th fiscal period From: July 1, 2018 To: Dec. 31, 2018	6th fiscal period From: Jan. 1, 2019 To: June 30, 2019
I. Unappropriated retained earnings	395,076,553 yen	396,424,363 yen
II. Addition of dividends in excess of earnings	60,876,400 yen	66,037,660 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,191,060 yen	1,191,060 yen
Other deduction from unitholders' capital	59,685,340 yen	64,846,600 yen
III. Dividends	455,911,300 yen	462,395,960 yen
[Dividends per unit]	[3,445 yen]	[3,494 yen]
<i>Of which,</i>		
Dividends of earnings	395,034,900 yen	396,358,300 yen
[Dividends of earnings per unit]	[2,985 yen]	[2,995 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	59,685,340 yen	64,846,600 yen
[Dividends in excess of earnings per unit (attributable to other dividends in excess of earnings)]	[451 yen]	[490 yen]
IV. Retained earnings carried forward	41,653 yen	66,063 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 395,034,900 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 60,876,400 yen, which is the amount roughly equivalent to 29% 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 460 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 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>

(5) Statement of Cash Flows

(Unit: thousand yen)

	5th fiscal period From: July 1, 2018 To: Dec. 31, 2018	6th fiscal period From: Jan. 1, 2019 To: June 30, 2019
Cash flows from operating activities		
Net income before income taxes	395,898	397,283
Depreciation	212,850	221,670
Amortization of investment unit issuance expenses	5,629	5,629
Interest income	(13)	(14)
Interest expenses	50,951	50,809
Decrease (increase) in operating accounts receivable	(1,044)	745
Decrease (increase) in consumption taxes refund receivable	130,174	(5,121)
Increase (decrease) in accrued consumption taxes	30,006	(30,006)
Decrease (increase) in prepaid expenses	(4,154)	10,036
Increase (decrease) in operating accounts payable	(23,586)	27,643
Increase (decrease) in accrued expenses	19,122	(678)
Increase (decrease) in advances received	(532)	8,551
Decrease (increase) in long-term prepaid expenses	12,800	12,046
Other, net	(3,523)	20,784
Subtotal	824,579	719,380
Interest income received	13	14
Interest expenses paid	(51,044)	(52,345)
Income taxes paid	(952)	(878)
Net cash provided by (used in) operating activities	772,595	666,170
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(84,488)	(780,938)
Payments into restricted deposits	(0)	(0)
Net cash provided by (used in) investing activities	(84,488)	(780,938)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	700,000
Repayments of long-term loans payable	(160,000)	(15,000)
Dividends paid	(455,144)	(455,399)
Net cash provided by (used in) financing activities	(615,144)	229,600
Net increase (decrease) in cash and cash equivalents	72,963	114,832
Cash and cash equivalents at beginning of period	1,516,234	1,589,197
Cash and cash equivalents at end of period	1,589,197	1,704,030

- (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 not applicable for the 5th fiscal period and 3,723 thousand yen for the 6th fiscal period.</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; Construction in progress 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]

5th fiscal period (from July 1, 2018 to December 31, 2018)

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.

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.