

(REIT) Financial Report for the Fiscal Period Ended December 2018

February 18, 2019

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Scheduled date of commencement of dividends payment: March 19, 2019

Scheduled date of submission of securities report: March 28, 2019

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 2018 (from July 1, 2018 to December 31, 2018)

(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. 2018	1,093	3.4	471	(0.2)	395	0.1	395	0.1
Ended June 2018	1,057	40.0	472	49.9	395	50.1	394	50.3

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. 2018	2,984	3.1	1.4	36.2
Ended June 2018	3,100	3.8	1.7	37.4

(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. 2018	2,985	395	460	60	3,445	455	100.0	3.1
Ended June 2018	2,982	394	459	60	3,441	455	100.0	3.2

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended June 2018 is total dividends from allowance for temporary difference adjustments of 1 million yen (8 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 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).

(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 2018 is 0.005 and for the fiscal period ended December 2018 is 0.005.

(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. 2018	27,492	12,610	45.9	95,290
Ended June 2018	27,746	12,671	45.7	95,746

(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. 2018	772	(84)	(615)	1,589
Ended June 2018	559	(7,905)	7,823	1,516

2. Operating Forecasts for the Fiscal Period Ending June 2019 (from January 1, 2019 to June 30, 2019) and

Operating Forecasts for the Fiscal Period Ending December 2019 (from July 1, 2019 to December 31, 2019)

(% 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 2019	1,111	1.6	467	(0.8)	391	(1.0)	390	(1.0)	2,953	502	3,455
Ending Dec. 2019	1,105	(0.5)	468	0.2	385	(1.7)	384	(1.7)	2,903	497	3,400

(Reference) Forecast net income per unit (Forecast net income ÷ Forecast average number of investment units during period)

Fiscal period ending June 2019: 2,953 yen

Fiscal period ending December 2019: 2,903 yen

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

Fiscal period ended Dec.2018	0 units	Fiscal period ended June 2018	0 units
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* Presentation of the Status of Implementation of Audit Procedures

This financial report is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) and, at the time of disclosure of this financial report, the audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Explanation of Appropriate Use of Operating Forecasts, and Other Matters of 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 2019 (from January 1, 2019 to June 30, 2019) and Fiscal Period Ending December 2019 (from July 1, 2019 to December 31, 2019)" on page 7.

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1. Related Parties of the Investment Corporation

Disclosure is omitted, because there is no significant change from “Structure of the Investment Corporation” in the most recent securities report (submitted on September 27, 2018).

2. Management Policy and Management Status

(1) Management Policy

Disclosure is omitted, because there is no significant change from “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent securities report (submitted on September 27, 2018).

(2) 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. The same shall apply hereinafter.

② Investment Environment

In the fiscal period under review, the Japanese economy experienced a negative growth with an annualized real GDP growth rate of -2.5% for the period from July to September 2018 (seasonally adjusted; second preliminary estimate) against the backdrop of the weakened consumer appetite and restricted production, transport, etc. due to a string of natural disasters. While this could be partly attributed to temporary factors, capital investments by private companies have fallen significantly and domestic and foreign demands have both turned to negative. Going forward, although growth backed by rush demand ahead of the consumption tax hike and construction investment prior to the Olympic Games can be expected, attention should be paid to the trend of crude oil prices, measures for the consumption tax hike and such.

(Financial Market)

Due to Bank of Japan’s monetary easing policy effects, the JBA 3-month Japanese Yen TIBOR has 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 as that in late January 2018. Since the outlook continues to be uncertain due to the U.S. interest rate hike and the Brexit, the impact of financial market volatility should be carefully watched going forward.

(Real Estate Transaction Market)

According to “ARES Monthly Report (January 2019)” published by The Association for Real Estate Securitization, the J-REIT real estate transaction market in fiscal 2018 expanded by approximately 439.1 billion yen (+32.8% year-on-year) from fiscal 2017 to 1,778.6 billion yen in terms of acquisition price, against the backdrop of steady rise of investment unit prices, etc. By property use, office increased by approximately 327.1 billion yen (+101.3% year-on-year), logistics facility increased by 189.5 billion yen (+57.4%) and residence increased by approximately 68.8 billion yen (+68.6% year-on-year). Although circumstances change along with trends in each year, the real estate transaction market is expected to remain strong in general.

(Residential Leasing Market)

According to the number of households by type of rental housing from 1993 to 2013 for the Tokyo metropolitan area 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. The same shall apply hereinafter.

(Retail Property Market)

According to the “Current Survey of Commerce” by the Ministry of Economy, Trade and Industry, for the period from July to September 2018, the rate of increase in sales value compared with the same period of the previous year for supermarkets was +2.2% as a national average. By area, the rate steadily grew with +3.3% for the Chubu area, +2.6% for the Shikoku area, +2.1% for the Hokkaido and Tohoku areas. As for drug stores, the rate of increase was +5.3% on national average with +12.3% for the Okinawa area, +7.4% for the Chugoku area, +6.8% for the Shikoku area and +6.6% for the Kinki area, showing an upward trends 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 (December 2018 and annual estimate)” by Japan National Tourism Organization, the number of international visitors to Japan in 2018 increased to 31.19 million or up 8.7% from the previous year. As a result, according to the “Overnight Travel Statistics Survey (October 2018/second preliminary estimates, November 2018/ 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 January to October 2018 increased to 73.83 million (+10.7% year-on-year); and the guest room occupancy rates by accommodation facility type continued to show upward trends with 77.7% (+2.1% year-on-year) for city hotels, 72.7% (+2.1% year-on-year) for business hotels and 54.9% (+2.0% 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 Q4 2018” by CBRE K.K., in the fourth quarter of 2018, vacancy rate for major regional cities continued on a decreasing trend in general, with 0.4% (-0.1pts quarter-on-quarter) for Fukuoka City, 1.1% (+0.2pts quarter-on-quarter) for Sapporo City, 1.1% (-0.2pts quarter-on-quarter) for Nagoya City, 1.7% (-0.2pts quarter-on-quarter) for Osaka City and 2.3% (-0.6pts quarter-on-quarter) for Hiroshima City. In addition, assumed contract rents showed an upward trend, with 14,800 yen/tsubo (+2.2% quarter-on-quarter) for Fukuoka City and 11,230 yen/tsubo (+0.9% quarter-on-quarter) for Hiroshima City. Thus, the upward trend in rent is likely to continue amid tight supply-demand.

③ Management Performance

In the fiscal period under review, several renovation works were carried out for portfolio properties, including a major repair work at Artiza Sobudai. In addition, management for maintaining and enhancing the competitiveness of portfolio assets was underway through integrated promotion of property management operations of the Asset Manager and each of the bases of the property management company, Marimo Co., Ltd., at all properties, conducting leasing activities according to the characteristics of each region, setting tenant seeking terms and conditions 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, and additionally striving for enhancement of functionality, convenience, etc. including attraction of coin parking operation for some parking spaces on the premises, introduction of free Wi-Fi service, new installation of parcel delivery boxes 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 (25 properties; total acquisition price: 24,525 million yen) has occupancy rate of 98.1% and period-average occupancy rate of 98.4%. In addition, cost reduction, too, was implemented through reduction of utility expenses by switching the electric power utility at Artiza Kamimaezu II, Artiza Chiyoda, MRR Kumamoto, MRR Sasebo and MRR Itoshima. Furthermore, replacement of air-conditioning system and installation of LED for signboard lighting were implemented at MRR Delta Building and MRR Itoshima, respectively, as environmental consideration/initiatives.

(Note) “Acquisition price” is the sale and purchase price of each real estate trust beneficiary right stated in the trust beneficiary right sale and purchase contract for each portfolio 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, early repayment of long-term loans borrowed on January 23, 2018 (Tranche 3-B: loan balance of 145 million yen) was conducted on November 1, 2018 with consumption tax refund (130 million yen) reimbursed on September 14, 2018 and funds on hand. Of long-term loans borrowed on August 1, 2016 (Tranche D: loan balance of 1,447 million yen), funds on hand were used to make contractual repayment of 7 million yen on August 1, 2018 and 7 million yen on November 1, 2018. As a result, as at the end of the fiscal period under review (end of December 2018), the balance of loans outstanding was 13,102 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 47.7%.

(Note 1) Amounts are rounded down to the nearest million yen.

(Note 2) As described in "(Outlook for the Next Fiscal Period) ② Significant Subsequent Events (Reference Information) (A) Borrowing of Funds" below, "Notice Concerning Revision of Operating and Dividend Forecasts for the Fiscal Period Ending June 2019" dated December 19, 2018 and "Notice Concerning Borrowing of Funds" dated December 19, 2018, marimo REIT borrowed 700 million yen on January 4, 2019. With this, the balance of loans outstanding of marimo REIT stands at 13,795 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 1,093 million yen, operating income of 471 million yen, ordinary income of 395 million yen and net income of 395 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 2,985 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 60 million 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 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 5th fiscal period (fiscal period ended December 2018) was 28,477 million yen, which exceeds the sum total of total book value of real estate, etc. (24,415 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 6th fiscal period (117 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 24,411 million yen and leasehold interest posted to intangible assets of 4 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 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 59 million yen for the fiscal period ending June 2019 and 53 million yen for the fiscal period ending December 2019. 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 Co., Ltd., 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 Co., Ltd., income-producing real estate held or purchased by Marimo Co., Ltd. and retail or hotel properties developed in Marimo Co., Ltd.’s urban redevelopment 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 Co., Ltd. and the eight supporting companies (The Mie Bank, Ltd., The Michinoku Bank, Ltd., The Tokyo Star Bank, Limited, The Chugoku Bank, Limited, Kansai Urban Banking Corporation, 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 Co., Ltd. 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.

Debt financing shall be with staggering of debt maturities, lengthening of borrowing periods, lowering of borrowing interest rates and conversion of borrowing interest rates to fixed rates in mind, and efforts shall be made 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 borrowed 700 million yen from Sumitomo Mitsui Banking Corporation on January 4, 2019 as part of the acquisition funds and incidental expenses of the property described in “(B) Acquisition of Asset” below. Details are as follows.

Lender	Loan amount (million yen)	Interest rate	Drawdown date	Maturity date	Repayment method	Note
Sumitomo Mitsui Banking Corporation	700	Base rate +0.2% (floating rate) (Note 1)	January 4, 2019	August 1, 2019 (Note 2)	Lump-sum repayment at maturity	Unsecured and unguaranteed

(Note 1) The interest rate is applicable from February 1, 2019 to March 1, 2019. The applicable rate is JBA 1-month Japanese Yen TIBOR (base rate) + 0.2%. 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), which is the first day of the calculation period. If the JBA 1-month Japanese Yen TIBOR falls below 0%, then the base rate shall be 0%.

(Note 2) If the 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.

(B) Acquisition of Asset

marimo REIT acquired the following property (acquisition price: 700 million yen) on January 4, 2019.

Property number (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Acquisition date
Rp-08	ArtizA Higashi-Shimada	Okayama City, Okayama	Marimo Co., Ltd.	700	730	January 4, 2019

(Note 1) “Property number” indicates a number given to each property in marimo REIT’s portfolio, which is a combination of categories for “investment target” and “investment ratio by region.” As to “investment target,” R refers to residential properties, C to retail facilities, H to hotels and O to offices, while p refers to regional areas and t to Tokyo metropolitan area. For multiple-use facilities, a use type accounting for the largest rent income ratio when full occupancy is assumed is indicated as the investment target.

(Note 2) “Acquisition price” indicates the purchase price of real estate trust beneficiary rights stated in the trust beneficiary right sale and purchase contract (excluding consumption tax, local consumption tax and other miscellaneous expense such as broker’s commissions) for the acquired asset, rounded down to the nearest million yen.

(Note 3) “Appraisal value” is as of October 31, 2018.

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

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> • Fiscal period ending June 2019 (6th fiscal period) (from January 1, 2019 to June 30, 2019) (181 days) • Fiscal period ending December 2019 (7th fiscal period) (from July 1, 2019 to December 31, 2019) (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 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 December 2019. • 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 June 2019 and 631 million yen for the fiscal period ending December 2019. • 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 33 million yen for the fiscal period ending June 2019 and 26 million yen for the fiscal period ending December 2019. 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 222 million yen for the fiscal period ending June 2019 and 219 million yen for the fiscal period ending December 2019.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing related expenses are expected to be 70 million yen for the fiscal period ending June 2019 and 77 million yen for the fiscal period ending December 2019. • Amortization of investment unit issuance expenses is expected to be 5 million yen for the fiscal period ending June 2019 and 5 million yen for the fiscal period ending December 2019.
Loans	<ul style="list-style-type: none"> • marimo REIT borrowed 700 million yen on January 4, 2019 in line with the acquisition of an asset. • 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 13,787 million yen at the end of the fiscal period ending June 2019 and 13,772 million yen at the end of the fiscal period ending December 2019.
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 December 2019.
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 June 2019 and fiscal period ending December 2019, 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 222 million yen for the fiscal period ending June 2019 and 219 million yen for the fiscal period ending December 2019. 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 59 million yen for the fiscal period ending June 2019 and 53 million yen for the fiscal period ending December 2019. 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 June 2019 and fiscal period ending December 2019. As such, for the fiscal period ending June 2019, 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 total other dividends in excess of earnings is 65 million yen, and 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 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 74.5% and 74.4%, 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 6th fiscal period (fiscal period ending June 2019) and 7th fiscal period (fiscal period ending December 2019) 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 June 2019 and fiscal period ending December 2019 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 2019 and fiscal period ending December 2019. 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.

(3) Investment Risks

Disclosure is omitted, because there is no significant change from “Investment Risks” in the most recent securities report (submitted on September 27, 2018).

3. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	4th fiscal period (As of June 30, 2018)	5th fiscal period (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	931,688	1,018,870
Cash and deposits in trust	1,966,582	1,923,690
Operating accounts receivable	7,430	8,474
Prepaid expenses	35,118	39,272
Consumption taxes receivable	130,174	—
Other	323	93
Total current assets	3,071,317	2,990,402
Non-current assets		
Property, plant and equipment		
Buildings in trust	11,055,066	11,110,758
Accumulated depreciation	(636,970)	(839,726)
Buildings in trust, net	10,418,095	10,271,031
Structures in trust	265,363	265,363
Accumulated depreciation	(19,389)	(25,391)
Structures in trust, net	245,974	239,971
Machinery and equipment in trust	114,331	114,331
Accumulated depreciation	(10,439)	(13,158)
Machinery and equipment in trust, net	103,892	101,173
Tools, furniture and fixtures in trust	7,510	10,129
Accumulated depreciation	(1,114)	(1,749)
Tools, furniture and fixtures in trust, net	6,395	8,379
Land in trust	13,790,968	13,790,968
Construction in progress in trust	—	112
Total property, plant and equipment	24,565,326	24,411,637
Intangible assets		
Leasehold rights in trust	4,221	4,094
Software	3,541	2,951
Total intangible assets	7,762	7,045
Investments and other assets		
Long-term prepaid expenses	50,115	37,315
Deferred tax assets	16	13
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,500	13,500
Total investments and other assets	73,632	60,828
Total non-current assets	24,646,722	24,479,511
Deferred assets		
Investment unit issuance expenses	28,146	22,516
Total deferred assets	28,146	22,516
Total assets	27,746,186	27,492,430

(Unit: thousand yen)

	4th fiscal period (As of June 30, 2018)	5th fiscal period (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	147,348	97,585
Current portion of long-term loans payable	175,000	3,360,000
Accrued expenses	116,626	135,768
Income taxes payable	950	875
Accrued consumption taxes	—	30,006
Advances received	169,145	168,612
Current portion of tenant leasehold and security deposits in trust	51,817	51,817
Other	7,022	3,622
Total current liabilities	667,910	3,848,288
Non-current liabilities		
Long-term loans payable	13,087,500	9,742,500
Tenant leasehold and security deposits in trust	1,301,219	1,272,545
Asset retirement obligations	18,222	18,241
Other	193	78
Total non-current liabilities	14,407,134	11,033,366
Total liabilities	15,075,045	14,881,654
Net assets		
Unitholders' equity		
Unitholders' capital	12,412,622	12,412,622
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(3,092)	(4,151)
Other deduction from unitholders' capital	(133,086)	(192,771)
Total deduction from unitholders' capital	(136,179)	(196,923)
Unitholders' capital, net	12,276,443	12,215,699
Surplus		
Unappropriated retained earnings (undisposed loss)	394,697	395,076
Total surplus	394,697	395,076
Total unitholders' equity	12,671,141	12,610,776
Total net assets	12,671,141	12,610,776
Total liabilities and net assets	27,746,186	27,492,430

(2) Statement of Income

(Unit: thousand yen)

	4th fiscal period From: Jan. 1, 2018 To: June 30, 2018	5th fiscal period From: July 1, 2018 To: Dec. 31, 2018
Operating revenue		
Lease business revenue	1,000,078	1,040,211
Other lease business revenue	57,770	53,728
Total operating revenue	1,057,848	1,093,940
Operating expenses		
Expenses related to rent business	447,063	462,255
Asset management fee	79,465	98,854
Asset custody fee	1,349	1,378
Administrative service fees	12,886	14,518
Directors' compensations	2,400	2,400
Taxes and dues	9,354	9,746
Other operating expenses	33,255	33,585
Total operating expenses	585,775	622,739
Operating income	472,073	471,201
Non-operating income		
Interest income	12	13
Interest on refund	—	114
Insurance income	384	52
Total non-operating income	396	180
Non-operating expenses		
Interest expenses	48,386	50,951
Borrowing related expenses	22,433	18,902
Amortization of investment unit issuance expenses	5,629	5,629
Other	419	—
Total non-operating expenses	76,868	75,483
Ordinary income	395,601	395,898
Net income before income taxes	395,601	395,898
Income taxes - current	952	877
Income taxes - deferred	(1)	3
Total income taxes	951	881
Net income	394,650	395,016
Retained earnings brought forward	47	59
Unappropriated retained earnings (undisposed loss)	394,697	395,076

(3) Statement of Unitholders' Equity

4th fiscal period (from January 1, 2018 to June 30, 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	8,074,023	(2,001)	(84,691)	(86,692)	7,987,331
Changes of items during period					
Issuance of new investment units	4,338,598				4,338,598
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,091)		(1,091)	(1,091)
Other distribution in excess of earnings			(48,394)	(48,394)	(48,394)
Net income					
Total changes of items during period	4,338,598	(1,091)	(48,394)	(49,486)	4,289,112
Balance at end of current period	12,412,622	(3,092)	(133,086)	(136,179)	12,276,443

(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	262,671	262,671	8,250,002	8,250,002
Changes of items during period				
Issuance of new investment units			4,338,598	4,338,598
Dividends of surplus	(262,624)	(262,624)	(262,624)	(262,624)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,091)	(1,091)
Other distribution in excess of earnings			(48,394)	(48,394)
Net income	394,650	394,650	394,650	394,650
Total changes of items during period	132,026	132,026	4,421,138	4,421,138
Balance at end of current period	394,697	394,697	12,671,141	12,671,141

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

(4) Statement of Distribution of Cash

	4th fiscal period From: Jan. 1, 2018 To: June 30, 2018	5th fiscal period From: July 1, 2018 To: Dec. 31, 2018
I. Unappropriated retained earnings	394,697,724 yen	395,076,553 yen
II. Addition of dividends in excess of earnings	60,744,060 yen	60,876,400 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,058,720 yen	1,191,060 yen
Other deduction from unitholders' capital	59,685,340 yen	59,685,340 yen
III. Dividends	455,381,940 yen	455,911,300 yen
[Dividends per unit]	[3,441 yen]	[3,445 yen]
<i>Of which,</i>		
Dividends of earnings	394,637,880 yen	395,034,900 yen
[Dividends of earnings per unit]	[2,982 yen]	[2,985 yen]
Allowance for temporary difference adjustments	1,058,720 yen	1,191,060 yen
[Dividends in excess of earnings per unit (attributable to allowance for temporary difference adjustments)]	[8 yen]	[9 yen]
Other dividends in excess of earnings	59,685,340 yen	59,685,340 yen
[Dividends in excess of earnings per unit (attributable to other dividends in excess of earnings)]	[451 yen]	[451 yen]
IV. Retained earnings carried forward	59,844 yen	41,653 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 394,637,880 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 60,744,060 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 459 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,058,720 yen, resulting in allowance for temporary difference adjustments per unit of 8 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 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>

(5) Statement of Cash Flows

(Unit: thousand yen)

	4th fiscal period From: Jan. 1, 2018 To: June 30, 2018	5th fiscal period From: July 1, 2018 To: Dec. 31, 2018
Cash flows from operating activities		
Net income before income taxes	395,601	395,898
Depreciation	212,725	212,850
Amortization of investment unit issuance expenses	5,629	5,629
Interest income	(12)	(13)
Interest expenses	48,386	50,951
Decrease (increase) in operating accounts receivable	(5,895)	(1,044)
Decrease (increase) in consumption taxes refund receivable	(130,174)	130,174
Increase (decrease) in accrued consumption taxes	(20,112)	30,006
Decrease (increase) in prepaid expenses	(4,392)	(4,154)
Increase (decrease) in operating accounts payable	47,128	(23,586)
Increase (decrease) in accrued expenses	15,134	19,122
Increase (decrease) in advances received	50,088	(532)
Decrease (increase) in long-term prepaid expenses	(13,453)	12,800
Other, net	3,454	(3,523)
Subtotal	604,108	824,579
Interest income received	12	13
Interest expenses paid	(43,283)	(51,044)
Income taxes paid	(926)	(952)
Net cash provided by (used in) operating activities	559,910	772,595
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(7,905,333)	(84,488)
Payments into restricted deposits	(0)	(0)
Net cash provided by (used in) investing activities	(7,905,334)	(84,488)
Cash flows from financing activities		
Decrease in short-term loans payable	(1,140,000)	—
Proceeds from long-term loans payable	4,985,000	—
Repayments of long-term loans payable	(15,000)	(160,000)
Proceeds from issuance of investment units	4,304,823	—
Dividends paid	(311,667)	(455,144)
Net cash provided by (used in) financing activities	7,823,156	(615,144)
Net increase (decrease) in cash and cash equivalents	477,732	72,963
Cash and cash equivalents at beginning of period	1,038,501	1,516,234
Cash and cash equivalents at end of period	1,516,234	1,589,197

(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 5–49 years Machinery and equipment in trust 19–27 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 49,641 thousand yen for the 4th fiscal period and not applicable for the 5th 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>

[Notes on Changes in Presentation or Classification]

Changes in line with the application of “Partial Amendments to ‘Accounting Standard for Tax Effect Accounting’”

With the application of “Partial Amendments to ‘Accounting Standard for Tax Effect Accounting’” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal period, presentation method has been changed to indicate deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.

Accordingly, the 16 thousand yen of “deferred tax assets” presented under “current assets” in the balance sheet for the previous fiscal period is included and presented in the 16 thousand yen of “deferred tax assets” under “investments and other assets.”

[Additional Information]

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

4th fiscal period (from January 1, 2018 to June 30, 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 1,058 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.

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.