

## (REIT) Financial Report for the Fiscal Period Ended June 2021

August 18, 2021

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Listing: Tokyo Stock Exchange  
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Scheduled date of commencement of dividends payment: September 14, 2021

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Preparation of supplementary financial results briefing materials: Yes

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

(Amounts are rounded down to the nearest million yen)

## 1. Status of Management and Assets for the Fiscal Period Ended June 2021 (from January 1, 2021, to June 30, 2021)

## (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 2021	1,313	2.5	570	(1.9)	481	0.3	480	0.3
Ended Dec. 2020	1,281	1.2	581	1.8	479	2.4	478	2.4

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 2021	3,145	3.2	1.5	36.6
Ended Dec. 2020	3,136	3.2	1.5	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 June 2021	3,146	480	426	65	3,572	545	100.0	3.2
Ended Dec. 2020	3,136	478	410	62	3,546	541	100.0	3.2

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended December 2020 is total dividends from allowance for temporary difference adjustments of 1 million yen (7 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 61 million yen (403 yen per unit).

The breakdown of total dividends in excess of earnings for the fiscal period ended June 2021 is total dividends from allowance for temporary difference adjustments of 1 million yen (7 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 63 million yen (419 yen per unit).

(Note 2) The ratio of decreasing surplus, etc. attributable to distribution in excess of earnings (refund of investments in capital) is 0.005 for the fiscal period ended December 2020 and 0.005 for the fiscal period ended June 2021.

(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 2021	32,851	14,832	45.1	97,147
Ended Dec. 2020	32,652	14,893	45.6	97,547

(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 2021	695	(554)	(256)	1,738
Ended Dec. 2020	820	(50)	(548)	1,853

2. Operating Forecasts for the Fiscal Period Ending December 2021 (from July 1, 2021, to December 31, 2021) and Operating Forecasts for the Fiscal Period Ending June 2022 (from January 1, 2022, to June 30, 2022)

(% 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. 2021	1,281	(2.5)	557	(2.3)	445	(7.3)	444	(7.4)	2,913	488	3,401
Ending June 2022	1,293	0.9	559	0.4	447	0.4	446	0.4	2,925	492	3,417

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

Fiscal period ending December 2021: 2,913 yen

Fiscal period ending June 2022: 2,925 yen

(Note) The rate of period-on-period increase (decrease) for the fiscal period ending December 2021 shows comparison with the actual figures for the fiscal period ended June 2021, and that for the fiscal period ending June 2022 shows comparison with the forecast figures for the fiscal period ending December 2021.

\* 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 2021	152,680 units	Fiscal period ended Dec. 2020	152,680 units
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- ② Number of treasury investment units at end of period

Fiscal period ended June 2021	0 units	Fiscal period ended Dec. 2020	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 2021 (from July 1, 2021, to December 31, 2021) and Fiscal Period Ending June 2022 (from January 1, 2022, to June 30, 2022)" 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) (Note) 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. on July 29, 2016 (securities code: 3470). These resulted in total number of investment units issued and outstanding of 152,680 units as of the end of the fiscal period under review.

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

#### ② Investment Environment

In the fiscal period under review, the Japanese economy experienced negative growth with an annualized real GDP growth rate of -3.9% for the period from January to March 2021 (seasonally adjusted; second preliminary estimate). In comparison with the period from July to September 2020, year-on-year domestic demand for the period from January to March 2021 worsened from +2.5% to -0.8%. This can be attributed to the slowdown of economic activities centering on domestic demand, etc. as a result of the increased number of COVID-19 cases, reimplementations of the state of emergency in January 2021 and such.

Going forward, although vaccination for COVID-19 has started, it is assumed that more time will be needed for economic activities to recover.

(Financial Market)

With the continuation of global monetary easing, the JBA 3-month Japanese Yen TIBOR remained at 0.07909% between September 29, 2020, and March 29, 2021; and at 0.06909% between March 20, 2021, and June 28, 2021. After that, it has been at 0.05909% since June 29, 2021. Because the outlook continues to be uncertain due to the impact of the COVID-19 pandemic, etc., the impact of volatility in financial markets should be carefully watched going forward.

(Real Estate Transaction Market)

According to "ARES Monthly Report (June 2021)" published by The Association for Real Estate Securitization, while actual acquisition of real estate by J-REITs in the period from January to the end of May 2021 decreased by 89.8 billion yen year on year (-13.3% year on year) to 584.5 billion yen in terms of total acquisition price, actual disposition increased by 9.0 billion yen (+7.2% year on year) to 133.4 billion yen in terms of total disposition. The decrease in actual acquisition is likely to be attributable to the decline in investment yield resulting from the continuation of an accommodative financing environment and the rise in real estate prices while the increase in actual disposition is likely to be attributable to the circumstance that allows for securement of gain on sale of real estate due to the rise in real estate prices. Going forward, attention should continue to be paid to factors including the status of COVID-19 and interest rates.

(Residential Leasing Market)

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

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

(Retail Property Market)

According to “Current Survey of Commerce” by the Ministry of Economy, Trade and Industry, for the period from January to March 2021, the rate of increase in sales value compared with the same period of the previous year for supermarkets increased by 0.6% on average nationally. By area, the Chubu area was +2.1%, the Hokkaido area was +0.2%, and the Tohoku area was +0.2%. As for drug stores, the rate of increase was -2.8% on average nationally, with particularly large decrease of -7.3% for the Hokkaido area, -5.6% for the Kyushu area, and -5.0% for the Kinki area, showing a downward trend across the nation. This reassured solid demand for supermarkets regardless of the impact of COVID-19. On the other hand, drug stores assumed to have had a temporary decrease in sales because of the backlash from the special demand seen last year for masks, disinfectants, and other items for preventing COVID-19 infection. The sales value of supermarkets and drug stores selling daily necessities is expected to remain stable in the long term.

(Hotel Market)

According to “Visitor Arrivals to Japan (estimate for May 2021)” by Japan National Tourism Organization, the number of international visitors to Japan in the period from January to May 2021 decreased significantly to 80,000 or -97.8% year on year (including estimates). As a result, according to “Overnight Travel Statistics Survey (April 2021/second preliminary estimates, May 2021/first preliminary estimates)” by Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism, the total number of overnight Japanese guests for April 2021 was 22.22 million (+110.4 year on year) and that of overnight international guests was 0.22 million (-9.3% year on year), indicating the continuation of the situation in which accommodation demand has not recovered for international guests. Guest room occupancy rate by type of accommodation facility has been recovering to 42.8% (+18.1% year on year) for business hotels, 29.4% (+17.4% year on year) for city hotels, and 22.4% (+16.4% year on year) for resort hotels. Close attention should be paid going forward as well since the numbers of Japanese and international travelers are believed to fluctuate depending on the progress of the COVID-19 vaccination rollout.

(Office Leasing Market)

According to “Japan Office Market View Q1 2021” by CBRE K.K., in the first quarter of 2021, the vacancy rate for major regional cities appeared to be on an increasing trend in general year on year, with 0.8% (+0.4 pts year on year) for Sapporo City, 1.7% (+1.3 pts year on year) for Osaka City, 1.9% (+1.3 pts year on year) for Nagoya City, 2.2% (+1.8 pts year on year) for Fukuoka City, and 3.2% (+1.4 pts year on year) for Hiroshima City. However, assumed contract rents remained flat, with 16,260 yen/tsubo (-1.2% year on year) for Fukuoka City and 11,890 yen/tsubo (+0.2% year on year) for Hiroshima City. However, because demand for offices is expected to change with the prevalence of telework in response to the yet-to-end COVID-19 pandemic, close attention should be paid to occupancy rates, etc.

③ Management Performance

During the fiscal period under review, leasing activities according to the characteristics of each region and setting of terms and conditions for seeking tenants according to the characteristics and occupancy status of individual properties, etc. were implemented through integrated promotion of property management operations of the Asset Manager and each of the bases of the property management company, Marimo Co., Ltd. (hereinafter, “Marimo”), and efforts to realize stable operation of properties under management and reduce downtime were made. In addition, as part of measures for internal growth, installation of rooftop antenna was implemented at Artiza Hakata PREMIER, thereby achieving an increase in rent revenue, etc. In terms of cost reduction, expenses were reduced through partial review of the property management contract and building maintenance contract, replacement of toilets to those with water-saving function at MRR Delta Building, etc. In addition, management efforts to enhance functionality and convenience as well as resident satisfaction were made, such as introduction of free Wi-Fi in rooms at Artiza Higashi-Betsuin. Such efforts resulted in an occupancy rate of 98.0% and period-average occupancy rate of 97.5% for marimo REIT’s portfolio assets as of the end of the fiscal period under review (32 properties; total acquisition price (Note): 30,450 million yen).

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

④ Financing Status

In the fiscal period under review, long-term loans of 4,840 million yen in total were borrowed in order to repay 4,840 million yen of long-term loans borrowed on January 23, 2018 (Tranche 3-A), which was due for repayment on February 1, 2021. Furthermore, long-term loans of 300 million yen were borrowed on February 26, 2021, to partially fund asset acquisition and incidental expenses. Other than these, of long-term loans borrowed on August 1, 2016 (Tranche D: loan balance of 1,372 million yen), funds on hand were used to execute contractual repayments of 7 million yen on February 1, 2021, and 7 million yen on May 6, 2021. As a result, as at the end of the fiscal period under review (end of June 2021), the balance of loans outstanding was 16,167 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 49.2%.

(Note) As described in "(Outlook for the Next Fiscal Period) ② Significant Subsequent Events (Reference Information) (A) Borrowing of Funds" below, marimo REIT borrowed long-term loans of 3,800 million yen in total on August 2, 2021, to allocate the funds for repayment of long-term loans of 3,500 million yen due for repayment on August 2, 2021 (Tranche C) and for early repayment of long-term loans of 300 million yen. In addition, on August 2, 2021, marimo REIT executed repayment of 7 million yen out of the abovementioned long-term loans (Tranche D) borrowed on August 1, 2016. As a result of these, loan balance of marimo REIT as of the date of this document stands at 16,160 million yen.

⑤ Overview of Business Performance and Distribution

As a result of the above, business performance for the fiscal period under review was operating revenue of 1,313 million yen, operating income of 570 million yen, ordinary income of 481 million yen and net income of 480 million yen.

In addition, concerning dividends, in accordance with the distribution policy provided in marimo REIT's Articles of Incorporation, the decision was made to distribute the entire amount of unappropriated retained earnings, excluding fractions of dividends per unit of less than 1 yen, by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). This resulted in dividends per unit of 3,146 yen.

In addition to this, marimo REIT shall execute distribution of cash in excess of earnings (hereinafter, "distribution in excess of earnings") in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 65 million yen, which is the amount roughly equivalent to 26% 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 426 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 7 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 obtained with the end of the accounting period as the date of value 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 10th fiscal period (fiscal period ended June 2021) was 36,506 million yen, which exceeds the sum total of total book value of real estate, etc. (29,538 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 11th fiscal period (262 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 29,534 million yen and leasehold interest posted to intangible assets of 3 million yen.

(Note 3) For the 32 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 falling under the category of renewal expenses (capital expenditures)) stated in the engineering report is 53 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 2021 and 53 million yen for the fiscal period ending June 2022. Therefore, even if an amount equivalent to the funds expected as reserve for the purpose of future capital expenditures for maintaining the function of buildings, etc. or working capital, etc. and certain funds in preparation for investment that would serve to enhance the income-producing potential of the portfolio are retained from the cash and deposits on hand in an amount equivalent to depreciation on the last day of each accounting period, there is still expected to be residual free cash flows. Accordingly, the decision was made to execute the abovementioned distribution in excess of earnings as part of cash management under the judgment that it is within the scope that sound financial stability will be maintained.

(Outlook for the Next Fiscal Period)

① General Management Outlook

(A) External Growth Strategy

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

In addition, the policy is to pursue expansion of asset size while being granted preferential negotiation rights for sales transactions pertaining to the acquisition of properties, including the “Artiza” series of rental condominiums developed by Marimo, income-producing real estate held or purchased by Marimo and retail or hotel properties developed in Marimo’s urban redevelopment (Note 1) 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 (San ju San Bank, Ltd. (Note 2), 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 officers and 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 1) Urban redevelopment refers to redevelopment to promote reasonable and sound high-level use of land in urban areas and renewal of urban functions.

(Note 2) The Daisan Bank, Ltd. and The Mie Bank, Ltd. conducted an absorption-type merger on May 1, 2021, with the former being the surviving company and latter being the disappearing company, and the name was changed to San ju San Bank, Ltd. on the same day. The same shall apply hereinafter.

(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 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.

Concerning the impact of the COVID-19 pandemic, it is recognized that vigilance against future impact is required due to the state of emergency being declared in Tokyo in July 2021 for the fourth time.

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 borrowed long-term loans of 3,800 million yen in total on August 2, 2021, to allocate the funds for repayment of long-term loans of 3,500 million yen due for repayment on the same day (Tranche C) and for early repayment of long-term loans of 300 million yen. Details are as follows.

	Lender	Loan amount (million yen)	Interest rate (Note 2)	Drawdown date	Maturity date	Repayment method	Remarks
Tranche 7	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 1)	3,800	0.86186%	August 2, 2021	August 3, 2026 (Note 3)	Lump-sum repayment at maturity	Unsecured and unguaranteed

(Note 1) The loan syndicate consists of Sumitomo Mitsui Banking Corporation, The Hiroshima Bank, Ltd., The Bank of Fukuoka, Ltd., San ju San Bank, Ltd., Shinsei Bank, Limited, Chugoku Bank, Ltd., and The Nishi-Nippon City Bank, Ltd.

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

(Note 3) 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 2021 (from July 1, 2021, to December 31, 2021) and Fiscal Period Ending June 2022 (from January 1, 2022, to June 30, 2022)

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> <li>● Fiscal period ending December 2021 (11th fiscal period) (from July 1, 2021, to December 31, 2021) (184 days)</li> <li>● Fiscal period ending June 2022 (12th fiscal period) (from January 1, 2022, to June 30, 2022) (181 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>● The assumption is that marimo REIT will continue to hold the real estate trust beneficiary rights to 32 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 2022.</li> <li>● In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>● Operating revenue from leasing of the 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.</li> <li>● The assumption is that there will be no delinquent or unpaid rent by tenants.</li> <li>● Some degree of decrease in operating revenue from leasing, etc. due to the impact of COVID-19 is taken into account when calculation is made.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>● Of operating expenses from leasing, the main operating expenses, expenses other than depreciation are calculated on the basis of historical data, etc. and by reflecting the factors causing fluctuation in expenses.</li> <li>● 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 742 million yen for the fiscal period ending December 2021 and 742 million yen for the fiscal period ending June 2022.</li> <li>● 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, fixed asset tax, city planning tax, etc. for fiscal 2022 are expensed starting from the fiscal period ending June 2022 for the real estate trust beneficiary right to 1 property acquired on February 26, 2021 (hereinafter, the "Newly Acquired Asset"). Furthermore, the total amount of fixed asset tax, city planning tax, etc. to be expensed is expected to be 99 million yen for the fiscal period ending December 2021 and 100 million yen for the fiscal period ending June 2022. Of these, the amount of the effect of the acquisition of the Newly Acquired Asset is expected to be 1 million yen for the fiscal period ending December 2021 and 1 million yen for the fiscal period ending June 2022.</li> <li>● Repair expenses for buildings based on medium- to long-term repair plans formulated by the Asset Manager are expected to be 43 million yen for the fiscal period ending December 2021 and 41 million yen for the fiscal period ending June 2022. Furthermore, concerning emergency repair expenses possibly arising from unforeseeable factors causing building damage, etc., the amount generally varies materially from fiscal year to fiscal year and does not arise periodically, etc., which may result in repair expenses for each accounting period differing materially from the forecast amount.</li> <li>● Depreciation is calculated under the straight-line method inclusive of incidental expenses and other future additional capital expenditures, and is expected to be 249 million yen for the fiscal period ending December 2021 and 251 million yen for the fiscal period ending June 2022.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>● Interest expenses and other borrowing-related expenses are expected to be 106 million yen for the fiscal period ending December 2021 and 107 million yen for the fiscal period ending June 2022.</li> <li>● Amortization of investment unit issuance expenses is expected to be 4 million yen for the fiscal period ending December 2021 and 4 million yen for the fiscal period ending June 2022.</li> </ul>
Loans	<ul style="list-style-type: none"> <li>● 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.</li> <li>● The assumption is that total interest-bearing liabilities will be 16,152 million yen at the end of the fiscal period ending December 2021 and 16,137 million yen at the end of the fiscal period ending June 2022.</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>● The assumption is the total number of investment units issued and outstanding as of the date of this document of 152,680 units.</li> <li>● 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 2022.</li> </ul>
Dividends per unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> <li>● 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.</li> <li>● 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.</li> </ul>

Item	Assumptions
Dividends in excess of earnings per unit	<ul style="list-style-type: none"> <li>● 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.</li> <li>● 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.</li> <li>● 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.</li> <li>● For the fiscal period ending December 2021 and fiscal period ending June 2022, there are high needs to retain certain funds to respond in the event that opportunities for acquiring new properties as investment that would serve to enhance the income-producing potential of the portfolio or such arise, but in light of marimo REIT's financial status, projected likelihood of refinancing borrowings, etc., the view is that marimo REIT is not in a state that calls for prioritized allocation of funds to reduce interest-bearing liabilities, etc. in both concerned accounting periods. As of the date of this document, execution of distribution in excess of earnings is deemed to be reasonable for the fiscal period ending December 2021 and fiscal period ending June 2022. As such, for the fiscal period ending December 2021, total dividends in excess of earnings is expected to be 74 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 73 million yen, and for the fiscal period ending June 2022, total dividends in excess of earnings is expected to be 75 million yen, of which total dividends of allowance for temporary difference adjustments is 1 million yen and other distribution in excess of earnings is 74 million yen (Note 1).</li> </ul> <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 obtained with the end of the accounting period as the date of value 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 11th fiscal period (fiscal period ending December 2021) and 12th fiscal period (fiscal period ending June 2022) regardless of the forecast above in the event that such conditions are not met.</p> <p>In addition, concerning the fiscal period ending December 2021 and fiscal period ending June 2022, as of the date of this document, marimo REIT adopts the policy of distributing as cash in excess of earnings an amount decided by marimo REIT each accounting period that is not to exceed the amount provided in the rules of The Investment Trusts Association, Japan (hereinafter, "JITA"), no more than the amount equivalent to 30% of depreciation for the concerned accounting period and within the scope not to exceed payout ratio (Note 2) of 75%. Accordingly, the distribution in excess of earnings may not take place or the amount of dividends in excess of earnings may decrease in the event of conflict with these limits.</p> <p>Moreover, in the event that substantial deterioration in the external economic environment, real estate market conditions, financial status of marimo REIT, etc. or such newly arise in the future, the policy as of the date of this document to execute distribution in excess of earnings as part of cash management in the fiscal period ending December 2021 and fiscal period ending June 2022 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 2021 and fiscal period ending June 2022. 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.</p>
Other	<ul style="list-style-type: none"> <li>● 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.</li> <li>● The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>

## (2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the most recent securities report (submitted on March 25, 2021).

## 2. Financial Statements

## (1) Balance Sheet

(Unit: thousand yen)

	9th fiscal period (As of Dec. 31, 2020)	10th fiscal period (As of June 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,153,912	1,018,905
Cash and deposits in trust	2,116,755	2,089,469
Operating accounts receivable	9,634	13,943
Prepaid expenses	52,166	69,291
<b>Total current assets</b>	<b>3,332,468</b>	<b>3,191,610</b>
Non-current assets		
Property, plant and equipment		
Buildings in trust	12,958,988	13,303,100
Accumulated depreciation	(1,719,706)	(1,952,765)
Buildings in trust, net	11,239,282	11,350,335
Structures in trust	324,513	328,015
Accumulated depreciation	(51,384)	(58,389)
Structures in trust, net	273,128	269,625
Machinery and equipment in trust	118,437	118,437
Accumulated depreciation	(24,683)	(27,607)
Machinery and equipment in trust, net	93,754	90,830
Tools, furniture and fixtures in trust	38,751	47,834
Accumulated depreciation	(10,247)	(13,639)
Tools, furniture and fixtures in trust, net	28,503	34,195
Land in trust	17,584,254	17,789,771
Construction in progress in trust	1,286	1,286
<b>Total property, plant and equipment</b>	<b>29,220,208</b>	<b>29,536,044</b>
Intangible assets		
Leasehold rights in trust	3,585	3,458
Software	588	—
<b>Total intangible assets</b>	<b>4,174</b>	<b>3,458</b>
Investments and other assets		
Long-term prepaid expenses	53,618	83,007
Deferred tax assets	17	14
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,578	13,578
<b>Total investments and other assets</b>	<b>77,213</b>	<b>106,599</b>
<b>Total non-current assets</b>	<b>29,301,596</b>	<b>29,646,103</b>
Deferred assets		
Investment unit issuance expenses	18,663	13,997
<b>Total deferred assets</b>	<b>18,663</b>	<b>13,997</b>
<b>Total assets</b>	<b>32,652,728</b>	<b>32,851,710</b>

(Unit: thousand yen)

	9th fiscal period (As of Dec. 31, 2020)	10th fiscal period (As of June 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	60,222	98,591
Current portion of long-term loans payable	8,370,000	3,830,000
Accrued expenses	161,601	173,895
Income taxes payable	957	896
Accrued consumption taxes	42,465	10,980
Advances received	200,775	203,531
Current portion of tenant leasehold and security deposits in trust	48,121	45,021
Other	4,057	4,160
<b>Total current liabilities</b>	<b>8,888,200</b>	<b>4,367,075</b>
Non-current liabilities		
Long-term loans payable	7,512,500	12,337,500
Tenant leasehold and security deposits in trust	1,340,044	1,296,279
Asset retirement obligations	18,320	18,339
Other	58	78
<b>Total non-current liabilities</b>	<b>8,870,922</b>	<b>13,652,197</b>
<b>Total liabilities</b>	<b>17,759,123</b>	<b>18,019,273</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	14,869,979	14,869,979
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(8,793)	(9,862)
Other deduction from unitholders' capital	(446,489)	(508,019)
<b>Total deduction from unitholders' capital</b>	<b>(455,282)</b>	<b>(517,881)</b>
<b>Unitholders' capital, net</b>	<b>14,414,696</b>	<b>14,352,097</b>
Surplus		
Unappropriated retained earnings (undisposed loss)	478,907	480,339
<b>Total surplus</b>	<b>478,907</b>	<b>480,339</b>
<b>Total unitholders' equity</b>	<b>14,893,604</b>	<b>14,832,437</b>
<b>Total net assets</b>	<b>14,893,604</b>	<b>14,832,437</b>
<b>Total liabilities and net assets</b>	<b>32,652,728</b>	<b>32,851,710</b>

## (2) Statement of Income

(Unit: thousand yen)

	9th fiscal period From: July 1, 2020 To: Dec. 31, 2020	10th fiscal period From: Jan. 1, 2021 To: June 30, 2021
<b>Operating revenue</b>		
Lease business revenue	1,226,591	1,229,035
Other lease business revenue	54,664	84,881
<b>Total operating revenue</b>	<b>1,281,256</b>	<b>1,313,916</b>
<b>Operating expenses</b>		
Expenses related to rent business	513,336	542,030
Asset management fee	120,532	120,164
Asset custody fee	1,630	1,635
Administrative service fees	13,884	14,056
Directors' compensations	2,400	2,400
Taxes and dues	14,234	17,634
Other operating expenses	33,783	45,335
<b>Total operating expenses</b>	<b>699,801</b>	<b>743,256</b>
<b>Operating income</b>	<b>581,454</b>	<b>570,660</b>
<b>Non-operating income</b>		
Interest income	14	15
Reversal of distributions payable	475	193
Interest on refund	144	—
Insurance income	2,700	13,607
<b>Total non-operating income</b>	<b>3,335</b>	<b>13,816</b>
<b>Non-operating expenses</b>		
Interest expenses	62,599	62,344
Borrowing related expenses	32,102	36,328
Amortization of investment unit issuance expenses	10,295	4,665
<b>Total non-operating expenses</b>	<b>104,996</b>	<b>103,338</b>
<b>Ordinary income</b>	<b>479,793</b>	<b>481,137</b>
<b>Net income before income taxes</b>	<b>479,793</b>	<b>481,137</b>
Income taxes - current	960	898
Income taxes - deferred	(0)	2
<b>Total income taxes</b>	<b>959</b>	<b>901</b>
<b>Net income</b>	<b>478,834</b>	<b>480,236</b>
Retained earnings brought forward	73	103
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>478,907</b>	<b>480,339</b>

## (3) Statement of Unitholders' Equity

9th fiscal period (from July 1, 2020, to December 31, 2020)

(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	14,869,979	(7,724)	(381,753)	(389,477)	14,480,501
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,068)		(1,068)	(1,068)
Other distribution in excess of earnings			(64,736)	(64,736)	(64,736)
Net income					
Total changes of items during period	—	(1,068)	(64,736)	(65,805)	(65,805)
Balance at end of current period	14,869,979	(8,793)	(446,489)	(455,282)	14,414,696

(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	467,732	467,732	14,948,234	14,948,234
Changes of items during period				
Dividends of surplus	(467,658)	(467,658)	(467,658)	(467,658)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,068)	(1,068)
Other distribution in excess of earnings			(64,736)	(64,736)
Net income	478,834	478,834	478,834	478,834
Total changes of items during period	11,175	11,175	(54,629)	(54,629)
Balance at end of current period	478,907	478,907	14,893,604	14,893,604

10th fiscal period (from January 1, 2021, to June 30, 2021)

(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	14,869,979	(8,793)	(446,489)	(455,282)	14,414,696
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,068)		(1,068)	(1,068)
Other distribution in excess of earnings			(61,530)	(61,530)	(61,530)
Net income					
Total changes of items during period	—	(1,068)	(61,530)	(62,598)	(62,598)
Balance at end of current period	14,869,979	(9,862)	(508,019)	(517,881)	14,352,097

(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	478,907	478,907	14,893,604	14,893,604
Changes of items during period				
Dividends of surplus	(478,804)	(478,804)	(478,804)	(478,804)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,068)	(1,068)
Other distribution in excess of earnings			(61,530)	(61,530)
Net income	480,236	480,236	480,236	480,236
Total changes of items during period	1,431	1,431	(61,167)	(61,167)
Balance at end of current period	480,339	480,339	14,832,437	14,832,437

## (4) Statement of Distribution of Cash

	9th fiscal period From: July 1, 2020 To: Dec. 31, 2020	10th fiscal period From: Jan. 1, 2021 To: June 30, 2021
I. Unappropriated retained earnings	478,907,984 yen	480,339,604 yen
II. Addition of dividends in excess of earnings	62,598,800 yen	65,041,680 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,068,760 yen	1,068,760 yen
Other deduction from unitholders' capital	61,530,040 yen	63,972,920 yen
III. Dividends	541,403,280 yen	545,372,960 yen
[Dividends per unit]	[3,546 yen]	[3,572 yen]
<i>Of which,</i>		
Dividends of earnings	478,804,480 yen	480,331,280 yen
[Dividends of earnings per unit]	[3,136 yen]	[3,146 yen]
Allowance for temporary difference adjustments	1,068,760 yen	1,068,760 yen
[Dividends in excess of earnings per unit (attributable to allowance for temporary difference adjustments)]	[7 yen]	[7 yen]
Other dividends in excess of earnings	61,530,040 yen	63,972,920 yen
[Dividends in excess of earnings per unit (attributable to other dividends in excess of earnings)]	[403 yen]	[419 yen]
IV. Retained earnings carried forward	103,504 yen	8,324 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 478,804,480 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 62,598,800 yen, which is the amount roughly equivalent to 26% 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 410 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,068,760 yen, resulting in allowance for temporary difference adjustments per unit of 7 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 480,331,280 yen, which is the largest integral multiple of the total number of investment units issued and outstanding at end of period in an amount not in excess of unappropriated retained earnings, as dividends of earnings.</p> <p>Furthermore, in accordance with the policy on distribution of cash provided in Article 25, Paragraph 2 of the Articles of Incorporation, marimo REIT shall execute distribution in excess of earnings in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 65,041,680 yen, which is the amount roughly equivalent to 26% 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 426 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,068,760 yen, resulting in allowance for temporary difference adjustments per unit of 7 yen.</p>



## (5) Statement of Cash Flows

(Unit: thousand yen)

	9th fiscal period From: July 1, 2020 To: Dec. 31, 2020	10th fiscal period From: Jan. 1, 2021 To: June 30, 2021
<b>Cash flows from operating activities</b>		
Net income before income taxes	479,793	481,137
Depreciation	243,168	247,114
Amortization of investment unit issuance expenses	10,295	4,665
Interest income	(14)	(15)
Interest expenses	62,599	62,344
Decrease (increase) in operating accounts receivable	1,401	(4,309)
Decrease (increase) in consumption taxes refund receivable	59,542	—
Increase (decrease) in accrued consumption taxes	42,465	(31,485)
Decrease (increase) in prepaid expenses	2,148	(17,125)
Increase (decrease) in operating accounts payable	(39,028)	31,013
Increase (decrease) in accrued expenses	13,914	9,946
Increase (decrease) in advances received	194	2,755
Decrease (increase) in long-term prepaid expenses	9,993	(29,389)
Other, net	(2,919)	86
Subtotal	883,555	756,740
Interest income received	14	15
Interest expenses paid	(62,478)	(59,997)
Income taxes paid	(946)	(960)
Net cash provided by (used in) operating activities	820,144	695,798
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(50,091)	(554,860)
Payments for lease and guarantee deposits in trust	(78)	—
Payments into restricted deposits	(0)	(0)
Net cash provided by (used in) investing activities	(50,169)	(554,860)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	—	5,140,000
Repayments of long-term loans payable	(15,000)	(4,855,000)
Dividends paid	(533,282)	(541,366)
Net cash provided by (used in) financing activities	(548,282)	(256,366)
Net increase (decrease) in cash and cash equivalents	221,692	(115,427)
Cash and cash equivalents at beginning of period	1,631,808	1,853,501
Cash and cash equivalents at end of period	1,853,501	1,738,073

- (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 9th fiscal period and 3,589 thousand yen for the 10th 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 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 held, etc. as trust assets, 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 rights 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]

9th fiscal period (from July 1, 2020, to December 31, 2020)

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 1,068 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.

10th fiscal period (from January 1, 2021, to June 30, 2021)

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 1,068 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.