

(REIT) Financial Report for the Fiscal Period Ended December 2020

February 18, 2021

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Listing: Tokyo Stock Exchange
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Scheduled date of commencement of dividends payment: March 25, 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 December 2020 (from July 1, 2020, to December 31, 2020)

(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. 2010	1,281	1.2	581	1.8	479	2.4	478	2.4
Ended June 2020	1,265	12.1	571	18.4	468	17.4	467	17.5

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. 2010	3,136	3.2	1.5	37.4
Ended June 2020	3,109	3.4	1.5	37.0

(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. 2010	3,136	478	410	62	3,546	541	100.0	3.2
Ended June 2020	3,063	467	431	65	3,494	533	100.0	3.2

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended June 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 64 million yen (424 yen per unit).

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).

(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 June 2020 and 0.005 for the fiscal period ended December 2020.

(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. 2010	32,652	14,893	45.6	97,547
Ended June 2020	32,766	14,948	45.6	97,905

(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. 2010	820	(50)	(548)	1,853
Ended June 2020	693	(5,099)	4,089	1,631

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

Operating Forecasts for the Fiscal Period Ending December 2021 (from July 1, 2021, to December 31, 2021)

(% 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 2021	1,308	2.1	564	(3.0)	472	(1.6)	471	(1.6)	3,086	443	3,529
Ending Dec. 2021	1,290	(1.4)	549	(2.6)	439	(7.0)	438	(7.0)	2,871	486	3,357

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

Fiscal period ending June 2021: 3,086 yen

Fiscal period ending December 2021: 2,871 yen

(Note) The rate of period-on-period increase (decrease) for the fiscal period ending June 2021 shows comparison with the actual figures for the fiscal period ended December 2020, and that for the fiscal period ending December 2021 shows comparison with the forecast figures for the fiscal period ending June 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 Dec. 2020	152,680 units	Fiscal period ended June 2020	152,680 units
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- ② Number of treasury investment units at end of period

Fiscal period ended Dec. 2020	0 units	Fiscal period ended June 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 June 2021 (from January 1, 2021, to June 30, 2021) and Fiscal Period Ending December 2021 (from July 1, 2021, to December 31, 2021)" on pages 7-8.

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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. (hereinafter, the “J-REIT Market”) 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 significant growth with an annualized real GDP growth rate of +22.9% for the period from July to September 2020 (seasonally adjusted; second preliminary estimate). The year-on-year growth rate of domestic demand also turned positive, and economic activities resumed amid the COVID-19 pandemic. Specifically, the state of emergency regarding COVID-19 was lifted on a full scale in late May and the Japanese economy turned to a recovery trend due to the first and second supplementary budgets for fiscal 2020 and the resumption of economic activities inside and outside Japan.

However, it is assumed that the outlook on economic activities will be uncertain due to the re-spread of COVID-19 infection at the end of 2020 and the redeclaration of a state of emergency centering on the Tokyo metropolitan area (Note) in January 2021.

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

(Financial Market)

With the continuation of global monetary easing, the JBA 3-month Japanese Yen TIBOR remained at 0.06909% between December 27, 2019, and September 28, 2020. After that, it remained at 0.07909% from September 29, 2020. Because the outlook continues to be uncertain due to the impact of the COVID-19 pandemic, the change in policies implemented by the new U.S. president, etc., the impact of volatility in financial markets should be carefully watched going forward.

(Real Estate Transaction Market)

According to “ARES Monthly Report (December 2020)” published by The Association for Real Estate Securitization, actual acquisition of real estate by J-REITs in the period from January to the end of November 2020 decreased by 112.5 billion yen year on year (-8.6% year on year) to 1.1953 trillion yen in terms of total acquisition price. As for actual disposition, the total disposition price also decreased by 75.8 billion yen year on year (-25.6% year on year) to 220.2 billion yen. These are likely to be attributable to the impact on the real estate transaction market caused by the decline in investment yield resulting from the continuation of an accommodative financing environment and the rise in real estate prices although the outlook is uncertain due to the impact of COVID-19. Accordingly, 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 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.

(Retail Property Market)

According to “Current Survey of Commerce” by the Ministry of Economy, Trade and Industry, for the period from July to September 2020, the rate of increase in sales value compared with the same period of the previous year for supermarkets increased by 2.4% on average nationally. By area, the Chubu area was +3.9%, the Shikoku area was +1.9%, and the Hokkaido area was +0.8%. As for drug stores, the rate of increase was +1.9% on average nationally, with particularly high growth of

+7.0% for the Tohoku area, +5.6% for the Chubu area, +4.5% for the Kyushu area, and +2.4% for the Chugoku area, showing an upward trend across the nation. The sales value of supermarkets and drug stores selling daily necessities is expected to remain stable regardless of the impact of COVID-19.

(Hotel Market)

According to "Visitor Arrivals to Japan (estimate for December 2020)" by Japan National Tourism Organization, the number of international visitors to Japan in the period from January to December 2020 decreased significantly to 4.11 million or -87.1% year on year (including estimates). As a result, according to "Overnight Travel Statistics Survey (October 2020/second preliminary estimates, November 2020/first preliminary estimates)" by Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism, the total number of overnight international guests for October 2020 decreased significantly to 0.27 million (-97.4% year on year); and guest room occupancy rate by type of accommodation facility dropped significantly to 51.0% (-26.3% year on year) for business hotels, 45.0% (-12.8% year on year) for resort hotels, and 44.3% (-36.3% year on year) for city hotels. Close attention should be paid going forward since the number of international visitors to Japan may not increase due to the impact of COVID-19.

(Office Leasing Market)

According to "Japan Office Market View Q3 2020" by CBRE K.K., in the third quarter of 2020, the vacancy rate for major regional cities appeared to be on an increasing trend in general compared with the previous quarter, with 0.7% (+0.1 pts quarter on quarter) for Sapporo City, 1.1% (+0.5 pts quarter on quarter) for Osaka City, 1.2% (+0.6 pts quarter on quarter) for Fukuoka City, 1.4% (+0.5 pts quarter on quarter) for Nagoya City, and 1.9% (+0.2 pts quarter on quarter) for Hiroshima City. However, assumed contract rents remained flat, with 16,460 yen/tsubo (-0.4% quarter on quarter) for Fukuoka City and 11,920 yen/tsubo ($\pm 0.0\%$ quarter on quarter) for Hiroshima City. However, because demand for offices is expected to change with the prevalence of telework in response to the 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, value enhancement work was implemented at Artiza Hakataeki-Minami to introduce solid wood flooring, thereby achieving an increase in rent revenue, etc. In terms of cost reduction, expenses were reduced through partial review of the building maintenance contract and introduction of electronic breakers at Artiza Matsumoto and Artiza Chiyoda. In addition, the Asset Manager conducted management aimed at improvement of functionality and convenience and enhancement of customer satisfaction, including new construction work of OA floors, air-conditioning systems, and ducts at MRR Kumamoto. Such efforts resulted in an occupancy rate of 96.9% and period-average occupancy rate of 97.7% for marimo REIT's portfolio assets as of the end of the fiscal period under review (31 properties; total acquisition price (Note): 29,955 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, of long-term loans borrowed on August 1, 2016 (Tranche D: loan balance of 1,387 million yen), funds on hand were used to execute contractual repayment of 7 million yen on August 3, 2020, and 7 million yen on November 2, 2020.

As a result, as at the end of the fiscal period under review (end of December 2020), the balance of loans outstanding was 15,882 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 48.6%.

(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 4,840 million yen in total on February 1, 2021, to be allocated as funds for repayment of long-term loans of 4,840 million yen due for repayment on February 1, 2021 (Tranche 3-A). In addition, on February 1, 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 15,875 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 1,281 million yen, operating income of 581 million yen, ordinary income of 479 million yen and net income of 478 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 3,136 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 62 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 410 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 9th fiscal period (fiscal period ended December 2020) was 35,757 million yen, which exceeds the sum total of total book value of real estate, etc. (29,222 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 10th fiscal period (205 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 29,218 million yen and leasehold interest posted to intangible assets of 3 million yen.

(Note 3) For the 31 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 56 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 61 million yen for the fiscal period ending June 2021 and 55 million yen for the fiscal period ending December 2021. Therefore, even if an amount equivalent to the funds expected as reserve for the purpose of future capital expenditures for maintaining the function of buildings, etc. or working capital, etc. and certain funds in preparation for investment that would serve to enhance the income-producing potential of the portfolio are retained from the cash and deposits on hand in an amount equivalent to depreciation on the last day of each accounting period, there is still expected to be residual free cash flows. Accordingly, the decision was made to execute the abovementioned distribution in excess of earnings as part of cash management under the judgment that it is within the scope that sound financial stability will be maintained.

(Outlook for the Next Fiscal Period)

① General Management Outlook

(A) External Growth Strategy

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

In addition, the policy is to pursue expansion of asset size while being granted preferential negotiation rights for sales transactions pertaining to the acquisition of properties, including the "ArtizA" series of rental condominiums developed by Marimo, income-producing real estate held or purchased by Marimo and retail or hotel properties developed in Marimo's urban redevelopment (Note) business, etc., based on the sponsor pipeline and support agreement. Along with this, the policy is to keep fully utilizing the abundant property network, property information sourcing strengths, etc. of Marimo and the eight supporting companies (The Mie Bank, Ltd., The Michinoku Bank, Ltd., The Tokyo Star Bank, Limited, The Chugoku Bank, Limited, Kansai Mirai Bank, Ltd., The Hiroshima Bank, Ltd., The Ashikaga Bank, Ltd., and ReBITA Inc.) and also property information obtained based on the network accumulated in the real estate industry by the 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) Urban redevelopment refers to redevelopment to promote reasonable and sound high-level use of land in urban areas and renewal of urban functions.

(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 redeclaration of a state of emergency centering on the Tokyo metropolitan area in January 2021.

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 4,840 million yen in total on February 1, 2021, to be allocated as funds for repayment of long-term loans of 4,840 million yen due for repayment on February 1, 2021 (Tranche 3-A). Details are as follows.

	Lender	Loan amount (million yen)	Interest rate (Note 3)	Drawdown date	Maturity date	Repayment method	Remarks
Tranche 6-A	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 1)	2,420	Base rate (JBA 3- month Japanese Yen TIBOR) (Note 4) + 0.600% (floating rate)	February 1, 2021	February 1, 2024 (Note 5)	Lump-sum repayment at maturity	Unsecured and unguaranteed
Tranche 6-B	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 2)	2,420	Base rate (JBA 3- month Japanese Yen TIBOR) (Note 4) + 0.700% (floating rate)	February 1, 2021	February 3, 2025 (Note 5)	Lump-sum repayment at maturity	Unsecured and unguaranteed

(Note 1) The loan syndicate consists of Sumitomo Mitsui Banking Corporation, The Hiroshima Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., The Bank of Fukuoka, Ltd., Shinsei Bank, Limited, The Mie Bank, Ltd., Resona Bank, Ltd., and The Higo Bank, Ltd.

(Note 2) The loan syndicate consists of Sumitomo Mitsui Banking Corporation, The Hiroshima Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Shinsei Bank, Limited, The Mie Bank, Ltd., Resona Bank, Ltd., and The Higo Bank, Ltd.

(Note 3) Not including borrowing expenses, etc. payable to the lender.

(Note 4) The base rate applicable to the calculation period for the interest payable on each interest payment date shall be the JBA TIBOR two business days prior to each interest payment date (the drawdown date in the case of the first interest calculation period). For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/english/>). If the JBA 3-month Japanese Yen TIBOR falls below 0%, then the base rate shall be 0%.

(Note 5) 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.

marimo REIT concluded a loan agreement as follows to use such loan as part of the funds for acquisition and incidental expenses of the property described in “(B) Acquisition of Asset” below on February 18, 2021.

Lender	Loan amount (million yen)	Interest rate (Note 1)	Drawdown date	Maturity date	Repayment method	Remarks
Sumitomo Mitsui Banking Corporation	300	Base rate (JBA 1-month Japanese Yen TIBOR) (Note 2) + 0.200% (floating rate)	February 26, 2021	February 28, 2022 (Note 3)	Lump-sum repayment at maturity	Unsecured and unguaranteed

(Note 1) Not including borrowing expenses, etc. payable to the lender.

(Note 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). For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/english/>). If the JBA 1-month Japanese Yen TIBOR falls below 0%, then the base rate shall be 0%.

(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.

(B) Acquisition of Asset

marimo REIT decided to acquire the following property (planned acquisition price: 495 million yen) on February 18, 2020.

Property number (Note 1)	Property name	Location	Seller	Planned acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Planned acquisition date
Rp-12	ArtizA Sengen-cho	Nishi-ku, Nagoya-shi, Aichi	Marimo Co., Ltd.	495	517	February 26, 2021

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

(Note 2) “Planned acquisition price” indicates the purchase price of the real estate trust beneficiary right stated in the trust beneficiary right sale and purchase agreement (excluding consumption tax, local consumption tax and other miscellaneous expenses such as broker’s commissions) for the Asset to Be Acquired, rounded down to the nearest million yen.

(Note 3) “Appraisal value” indicates the appraisal value stated in the real estate appraisal report with December 31, 2020 as the date of value.

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

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> ● Fiscal period ending June 2021 (10th fiscal period) (from January 1, 2021, to June 30, 2021) (181 days) ● Fiscal period ending December 2021 (11th fiscal period) (from July 1, 2021, to December 31, 2021) (184 days)
Assets under management	<ul style="list-style-type: none"> ● The assumption is that marimo REIT will continue to hold the real estate trust beneficiary rights to 31 properties held as of the date of this document as well as acquire ArtizA Sengen-cho (the "Asset to Be Acquired") on February 26, 2021, and continue to hold it and that there will be no acquisition of new properties other than those through to the end of the fiscal period ending December 2021. ● In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc.
Operating revenue	<ul style="list-style-type: none"> ● Operating revenue from leasing of the portfolio assets is calculated on the basis of rent, etc. stated in lease contracts in effect as of the date of this document, historical data, etc. Operating revenue from leasing of the Asset to Be Acquired is calculated on the basis of the content of lease contracts provided by the current beneficiary, etc. and past tenants, market trends, etc. as well as the content of lease contracts scheduled to be in effect on the scheduled acquisition date, and by taking into account various factors such as the assumed occupancy rate and rent fluctuation projections based on post-acquisition tenant move-in/move-out and rent level projections. ● The assumption is that there will be no delinquent or unpaid rent by tenants. ● 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.
Operating expenses	<ul style="list-style-type: none"> ● 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. ● 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 762 million yen for the fiscal period ending June 2021 and 734 million yen for the fiscal period ending December 2021. ● 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 Asset to Be Acquired. Furthermore, the total amount of fixed asset tax, city planning tax, etc. to be expensed is expected to be 98 million yen for the fiscal period ending June 2021 and 99 million yen for the fiscal period ending December 2021. ● Repair expenses for buildings based on medium- to long-term repair plans formulated by the Asset Manager are expected to be 43 million yen for the fiscal period ending June 2021 and 58 million yen for the fiscal period ending December 2021. 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. ● Depreciation is calculated under the straight-line method inclusive of incidental expenses and other future additional capital expenditures, and is expected to be 247 million yen for the fiscal period ending June 2021 and 248 million yen for the fiscal period ending December 2021.
Non-operating expenses	<ul style="list-style-type: none"> ● Interest expenses and other borrowing-related expenses are expected to be 100 million yen for the fiscal period ending June 2021 and 105 million yen for the fiscal period ending December 2021. ● Amortization of investment unit issuance expenses is expected to be 4 million yen for the fiscal period ending June 2021 and 4 million yen for the fiscal period ending December 2021.
Loans	<ul style="list-style-type: none"> ● The assumption is that 300 million yen will be borrowed in association with the acquisition of asset on February 26, 2021. ● The assumption is that internal reserves from a portion of depreciation will be used as the source of funds to repay principal of 15 million yen every fiscal period. ● The assumption is that total interest-bearing liabilities will be 16,167 million yen at the end of the fiscal period ending June 2021 and 16,152 million yen at the end of the fiscal period ending December 2021.
Investment units	<ul style="list-style-type: none"> ● The assumption is the total number of investment units issued and outstanding as of the date of this document of 152,680 units. ● The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending December 2021.
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 2021 and fiscal period ending December 2021, 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 June 2021 and fiscal period ending December 2021. As such, for the fiscal period ending June 2021, total dividends in excess of earnings is expected to be 67 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 66 million yen, and 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 other distribution in excess of earnings is 73 million yen (Note 1). <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 10th fiscal period (fiscal period ending June 2021) and 11th fiscal period (fiscal period ending December 2021) regardless of the forecast above in the event that such conditions are not met.</p> <p>In addition, concerning the fiscal period ending June 2021 and fiscal period ending December 2021, as of the date of this document, marimo REIT adopts the policy of distributing as cash in excess of earnings an amount decided by marimo REIT each accounting period that is not to exceed the amount provided in the rules of The Investment Trusts Association, Japan (hereinafter, "JITA"), no more than the amount equivalent to 30% of depreciation for the concerned accounting period and within the scope not to exceed payout ratio (Note 2) of 75%. Accordingly, the distribution in excess of earnings may not take place or the amount of dividends in excess of earnings may decrease in the event of conflict with these limits.</p> <p>Moreover, in the event that substantial deterioration in the external economic environment, real estate market conditions, financial status of marimo REIT, etc. or such newly arise in the future, the policy as of the date of this document to execute distribution in excess of earnings as part of cash management in the fiscal period ending June 2021 and fiscal period ending December 2021 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 2021 and fiscal period ending December 2021. 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"> The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations, JITA rules, etc. that will impact the forecast figures above. The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the most recent securities report (submitted on September 25, 2020).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	8th fiscal period (As of June 30, 2020)	9th fiscal period (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	921,559	1,153,912
Cash and deposits in trust	2,160,966	2,116,755
Operating accounts receivable	11,035	9,634
Prepaid expenses	54,314	52,166
Consumption taxes receivable	59,542	—
Total current assets	3,207,419	3,332,468
Non-current assets		
Property, plant and equipment		
Buildings in trust	12,939,840	12,958,988
Accumulated depreciation	(1,490,003)	(1,719,706)
Buildings in trust, net	11,449,837	11,239,282
Structures in trust	324,513	324,513
Accumulated depreciation	(44,438)	(51,384)
Structures in trust, net	280,074	273,128
Machinery and equipment in trust	118,437	118,437
Accumulated depreciation	(21,759)	(24,683)
Machinery and equipment in trust, net	96,678	93,754
Tools, furniture and fixtures in trust	34,803	38,751
Accumulated depreciation	(7,388)	(10,247)
Tools, furniture and fixtures in trust, net	27,414	28,503
Land in trust	17,584,254	17,584,254
Construction in progress in trust	—	1,286
Total property, plant and equipment	29,438,259	29,220,208
Intangible assets		
Leasehold rights in trust	3,712	3,585
Software	1,179	588
Total intangible assets	4,891	4,174
Investments and other assets		
Long-term prepaid expenses	63,611	53,618
Deferred tax assets	16	17
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,500	13,578
Total investments and other assets	87,128	77,213
Total non-current assets	29,530,279	29,301,596
Deferred assets		
Investment unit issuance expenses	28,958	18,663
Total deferred assets	28,958	18,663
Total assets	32,766,657	32,652,728

(Unit: thousand yen)

	8th fiscal period (As of June 30, 2020)	9th fiscal period (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Operating accounts payable	124,802	60,222
Current portion of long-term loans payable	4,870,000	8,370,000
Accrued expenses	147,565	161,601
Income taxes payable	944	957
Accrued consumption taxes	—	42,465
Advances received	200,580	200,775
Current portion of tenant leasehold and security deposits in trust	48,121	48,121
Other	6,849	4,057
Total current liabilities	5,398,864	8,888,200
Non-current liabilities		
Long-term loans payable	11,027,500	7,512,500
Tenant leasehold and security deposits in trust	1,373,594	1,340,044
Asset retirement obligations	18,300	18,320
Other	163	58
Total non-current liabilities	12,419,558	8,870,922
Total liabilities	17,818,422	17,759,123
Net assets		
Unitholders' equity		
Unitholders' capital	14,869,979	14,869,979
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(7,724)	(8,793)
Other deduction from unitholders' capital	(381,753)	(446,489)
Total deduction from unitholders' capital	(389,477)	(455,282)
Unitholders' capital, net	14,480,501	14,414,696
Surplus		
Unappropriated retained earnings (undisposed loss)	467,732	478,907
Total surplus	467,732	478,907
Total unitholders' equity	14,948,234	14,893,604
Total net assets	14,948,234	14,893,604
Total liabilities and net assets	32,766,657	32,652,728

(2) Statement of Income

(Unit: thousand yen)

	8th fiscal period From: Jan. 1, 2020 To: June 30, 2020	9th fiscal period From: July 1, 2020 To: Dec. 31, 2020
Operating revenue		
Lease business revenue	1,210,246	1,226,591
Other lease business revenue	55,433	54,664
Total operating revenue	1,265,679	1,281,256
Operating expenses		
Expenses related to rent business	520,645	513,336
Asset management fee	107,749	120,532
Asset custody fee	1,595	1,630
Administrative service fees	13,217	13,884
Directors' compensations	2,400	2,400
Taxes and dues	15,337	14,234
Other operating expenses	33,320	33,783
Total operating expenses	694,266	699,801
Operating income	571,413	581,454
Non-operating income		
Interest income	14	14
Reversal of distributions payable	275	475
Interest on refund	—	144
Insurance income	315	2,700
Total non-operating income	605	3,335
Non-operating expenses		
Interest expenses	60,765	62,599
Borrowing related expenses	32,358	32,102
Amortization of investment unit issuance expenses	10,295	10,295
Total non-operating expenses	103,419	104,996
Ordinary income	468,599	479,793
Net income before income taxes	468,599	479,793
Income taxes - current	946	960
Income taxes - deferred	(2)	(0)
Total income taxes	943	959
Net income	467,655	478,834
Retained earnings brought forward	76	73
Unappropriated retained earnings (undisposed loss)	467,732	478,907

(3) Statement of Unitholders' Equity

8th fiscal period (from January 1, 2020, to June 30, 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	12,412,622	(6,533)	(317,303)	(323,837)	12,088,785
Changes of items during period					
Issuance of new investment units	2,457,356				2,457,356
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,191)		(1,191)	(1,191)
Other distribution in excess of earnings			(64,449)	(64,449)	(64,449)
Net income					
Total changes of items during period	2,457,356	(1,191)	(64,449)	(65,640)	2,391,716
Balance at end of current period	14,869,979	(7,724)	(381,753)	(389,477)	14,480,501

(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	398,155	398,155	12,486,940	12,486,940
Changes of items during period				
Issuance of new investment units			2,457,356	2,457,356
Dividends of surplus	(398,078)	(398,078)	(398,078)	(398,078)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,191)	(1,191)
Other distribution in excess of earnings			(64,449)	(64,449)
Net income	467,655	467,655	467,655	467,655
Total changes of items during period	69,577	69,577	2,461,293	2,461,293
Balance at end of current period	467,732	467,732	14,948,234	14,948,234

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

(4) Statement of Distribution of Cash

	8th fiscal period From: Jan. 1, 2020 To: June 30, 2020	9th fiscal period From: July 1, 2020 To: Dec. 31, 2020
I. Unappropriated retained earnings	467,732,414 yen	478,907,984 yen
II. Addition of dividends in excess of earnings	65,805,080 yen	62,598,800 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,068,760 yen	1,068,760 yen
Other deduction from unitholders' capital	64,736,320 yen	61,530,040 yen
III. Dividends	533,463,920 yen	541,403,280 yen
[Dividends per unit]	[3,494 yen]	[3,546 yen]
<i>Of which,</i>		
Dividends of earnings	467,658,840 yen	478,804,480 yen
[Dividends of earnings per unit]	[3,063 yen]	[3,136 yen]
Allowance for temporary difference adjustments	1,068,760 yen	1,068,760 yen
[Dividends in excess of earnings per unit		
(attributable to	[7 yen]	[7 yen]
allowance for temporary difference adjustments)]		
Other dividends in excess of earnings	64,736,320 yen	61,530,040 yen
[Dividends in excess of earnings per unit		
(attributable to	[424 yen]	[403 yen]
other dividends in excess of earnings)]		
IV. Retained earnings carried forward	73,574 yen	103,504 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 467,658,840 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 65,805,080 yen, which is the amount roughly equivalent to 27% 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 431 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 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>

(5) Statement of Cash Flows

(Unit: thousand yen)

	8th fiscal period From: Jan. 1, 2020 To: June 30, 2020	9th fiscal period From: July 1, 2020 To: Dec. 31, 2020
Cash flows from operating activities		
Net income before income taxes	468,599	479,793
Depreciation	243,644	243,168
Amortization of investment unit issuance expenses	10,295	10,295
Interest income	(14)	(14)
Interest expenses	60,765	62,599
Decrease (increase) in operating accounts receivable	(3,421)	1,401
Decrease (increase) in consumption taxes refund receivable	(59,542)	59,542
Increase (decrease) in accrued consumption taxes	(28,206)	42,465
Decrease (increase) in prepaid expenses	(477)	2,148
Increase (decrease) in operating accounts payable	25,642	(39,028)
Increase (decrease) in accrued expenses	7,073	13,914
Increase (decrease) in advances received	27,166	194
Decrease (increase) in long-term prepaid expenses	(2,632)	9,993
Other, net	6,754	(2,919)
Subtotal	755,646	883,555
Interest income received	14	14
Interest expenses paid	(60,766)	(62,478)
Income taxes paid	(894)	(946)
Net cash provided by (used in) operating activities	693,999	820,144
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(5,099,769)	(50,091)
Payments for lease and guarantee deposits in trust	—	(78)
Payments into restricted deposits	(0)	(0)
Net cash provided by (used in) investing activities	(5,099,769)	(50,169)
Cash flows from financing activities		
Proceeds from short-term loans payable	110,000	—
Decrease in short-term loans payable	(110,000)	—
Proceeds from long-term loans payable	2,140,000	—
Repayments of long-term loans payable	(15,000)	(15,000)
Proceeds from issuance of investment units	2,429,361	—
Dividends paid	(464,636)	(533,282)
Net cash provided by (used in) financing activities	4,089,725	(548,282)
Net increase (decrease) in cash and cash equivalents	(316,043)	221,692
Cash and cash equivalents at beginning of period	1,947,852	1,631,808
Cash and cash equivalents at end of period	1,631,808	1,853,501

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

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<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:</p> <table> <tr> <td>Buildings in trust</td><td>2–64 years</td></tr> <tr> <td>Structures in trust</td><td>5–58 years</td></tr> <tr> <td>Machinery and equipment in trust</td><td>10–27 years</td></tr> <tr> <td>Tools, furniture and fixtures in trust</td><td>3–15 years</td></tr> </table> <p>(2) Intangible assets The straight-line method is adopted. Furthermore, the remaining or useful life of core intangible assets is as follows:</p> <table> <tr> <td>Leasehold rights in trust</td><td>19 years</td></tr> <tr> <td>Software</td><td>5 years</td></tr> </table> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	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	Leasehold rights in trust	19 years	Software	5 years
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												
Leasehold rights in trust	19 years												
Software	5 years												
2. Accounting for deferred assets	Investment unit issuance expenses Amortized using the straight-line method over 3 years.												
3. Standards for revenue and expense recognition	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 22,964 thousand yen for the 8th fiscal period and not applicable for the 9th fiscal period.												
4. Scope of funds in the statement of cash flows	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.												
5. Other significant matters serving as the basis for preparation of the financial statements	<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.</p> <ol style="list-style-type: none"> 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>(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]

8th fiscal period (from January 1, 2020, to June 30, 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.

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.