

## (REIT) Financial Report for the Fiscal Period Ended June 2022

August 18, 2022

REIT Securities Issuer: marimo Regional Revitalization REIT, Inc.  
 Securities Code: 3470  
 Representative: Takashi Kitagata, Executive Director  
 Asset Manager: Marimo Asset Management Co., Ltd.  
 Representative: Takashi Kitagata, CEO  
 Contact: Katsuhiko Shimada, Financial Management Officer  
 TEL: +81-3-6205-4755

Listing: Tokyo Stock Exchange  
 URL: <https://www.marimo-reit.co.jp/en/>

Scheduled date of commencement of dividends payment: September 16, 2022

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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 2022 (from January 1, 2022, to June 30, 2022)

## (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 2022	1,779	26.9	841	28.6	693	25.7	692	25.8
Ended Dec. 2021	1,402	6.8	654	14.6	551	14.6	550	14.6

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 2022	3,676	4.0	1.8	38.9
Ended Dec. 2021	3,604	3.7	1.7	39.3

## (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 2022	3,601	692	216	41	3,817	733	100.0	3.6
Ended Dec. 2021	3,604	550	320	48	3,924	599	100.0	3.7

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended December 2021 is total dividends from allowance for temporary difference adjustments of 1 million yen (8 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 47 million yen (312 yen per unit).

The breakdown of total dividends in excess of earnings for the fiscal period ended June 2022 is total dividends from allowance for temporary difference adjustments of 1 million yen (6 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 40 million yen (210 yen per unit).

(Note 2) The ratio of decreasing surplus, etc. attributable to distribution in excess of earnings (refund of investments in capital) is 0.004 for the fiscal period ended December 2021 and 0.003 for the fiscal period ended June 2022.

(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 2022	43,095	19,786	45.9	102,931
Ended Dec. 2021	33,001	14,837	45.0	97,179

## (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 2022	1,184	(10,380)	9,168	1,992
Ended Dec. 2021	982	(140)	(560)	2,020

2. Operating Forecasts for the Fiscal Period Ending December 2022 (from July 1, 2022, to December 31, 2022) and  
Operating Forecasts for the Fiscal Period Ending June 2023 (from January 1, 2023, to June 30, 2023)

(% 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. 2022	1,806	1.5	789	(6.1)	638	(7.9)	637	(7.9)	3,316	327	3,643
Ending June 2023	1,792	(0.8)	768	(2.7)	622	(2.4)	621	(2.4)	3,235	411	3,646

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

Fiscal period ending December 2022: 3,316 yen

Fiscal period ending June 2023: 3,235 yen

(Note) The rate of period-on-period increase (decrease) for the fiscal period ending December 2022 shows comparison with the actual figures for the fiscal period ended June 2022, and that for the fiscal period ending June 2023 shows comparison with the forecast figures for the fiscal period ending December 2022.

\* 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 2022	192,226 units	Fiscal period ended Dec. 2021	152,680 units
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- ② Number of treasury investment units at end of period

Fiscal period ended June 2022	0 units	Fiscal period ended Dec. 2021	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 2022 (from July 1, 2022, to December 31, 2022) and Fiscal Period Ending June 2023 (from January 1, 2023, to June 30, 2023)" on page 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 Trust 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 was listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. on July 29, 2016 (securities code: 3470). In the fiscal period under review, marimo REIT implemented an issuance of new investment units through public offering (38,158 units) on January 18, 2022, and an issuance of new investment units through third-party allotment accompanying secondary offering through over-allotment (1,388 units) on February 15, 2022. These resulted in total number of investment units issued and outstanding of 192,226 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 -0.5% for the period from January to March 2022 (seasonally adjusted; second preliminary estimate). In comparison with the period from July to September 2021, private demand for the period from January to March 2022 turned to positive growth from -1.4% to +0.5% year on year. This can be attributed to economic activities centering on domestic demand gradually resuming with the quasi-emergency COVID-19 measures ending on March 21, 2022, and other impact of the COVID-19 pandemic subsiding in the period from January to March 2022.

Going forward, it is recognized that vigilance against future impact is required with the number of COVID-19 cases turning to increase across Japan since July 2022.

(Financial Market)

With the continuation of global monetary easing, the JBA 3-month Japanese Yen TIBOR remained at 0.06727% between December 29, 2021, and June 30, 2022. With there being no end to the COVID-19 pandemic yet in sight, and the Ukraine situation, depreciation of the yen and other currency movements, soaring resource prices, and other future uncertainties impacting financial markets lingering, the impact of volatility in financial markets should be carefully watched still going forward.

(Real Estate Transaction Market)

According to "ARES Monthly Report (June 2022)" 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 May 2022 decreased by 157.3 billion yen year on year (-26.9% year on year) to 427.2 billion yen in terms of total acquisition price, and actual disposition decreased by 22.1 billion yen year on year (-16.6% year on year) to 111.4 billion yen in terms of total disposition price. This is likely to be attributable to actual transactions decreasing under the circumstances of difficulty in securing returns on income from acquisition of real estate resulting from the continuation of an accommodative financing environment and the rise in real estate prices continuing from the previous period. Going forward, attention should continue to be paid to factors, including also interest rates and such.

(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 2022, the rate of increase in sales value compared with the same period of the previous year for supermarkets increased by 0.7% on average nationally. By area, it increased for the Kyushu area at +2.1%, the Chugoku area at +1.5%, and the Shikoku area at +1.2%. For drug stores, the rate of increase was +4.9% on average nationally and particularly by area was +8.3% for the Tohoku area, +6.8% for the Kinki area, and +5.8% for the Shikoku area, showing an upward trend across the nation. With COVID-19 cases yet to subside, the recognition is that the uncertain state of consumption will continue for both supermarkets and drug stores.

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 2022)” by Japan National Tourism Organization, the number of international visitors to Japan in the period from January to May 2022 increased significantly to 0.38 million or +344.7% year on year (including estimates). As a result, according to “Overnight Travel Statistics Survey (April 2022/second preliminary estimates, March 2022/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 2022 was 33.10 million (+49.8% year on year) and that of overnight international guests was 0.53 million (+132.6% year on year), indicating that accommodation demand is increasing significantly. Guest room occupancy rate by type of accommodation facility turned to an increasing trend, being 55.5% (+13.4% year on year) for business hotels, 45.1% (+16.8% year on year) for city hotels, and 36.1% (+14.3% year on year) for resort hotels. The recognition is that the number of Japanese and international travelers will increase as promotions for local travel for Japanese travelers, including discounts, are underway and entry restrictions for international travelers are also likely to be relaxed with the COVID-19 pandemic subsiding.

(Office Leasing Market)

According to “Japan Office Market View Q1 2022” by CBRE K.K., in the first quarter of 2022, the vacancy rate for major regional cities was showing trends that were split depending on the city, with there being cities on the increase year on year at 5.1% (+3.2 pts year on year) for Nagoya City, 3.6% (+1.9 pts year on year) for Osaka City, and 2.6% (+0.4 pts year on year) for Fukuoka City, but there being also cities on the decrease year on year at 0.5% (−0.3 pts year on year) for Sapporo City and 2.5% (−0.7 pts year on year) for Hiroshima City. On the other hand, assumed contract rents remained pretty much unchanged at 14,350 yen/tsubo (+0.3% year on year) for Nagoya City, 16,180 yen/tsubo (−0.5% year on year) for Fukuoka City, and 11,820 yen/tsubo (−0.6% year on year) for Hiroshima City.

Going forward, because demand for offices is expected to change with the prevalence of working in shared offices, telework, etc., close attention should be paid to occupancy rates and such.

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, interior renovation work (changing the flooring, changing the floor plan, etc.) was conducted at Artiza Matsumoto in efforts to increase contract rent. Such efforts resulted in an occupancy rate of 98.0% and period-average occupancy rate of 97.7% for marimo REIT’s portfolio assets as of the end of the fiscal period under review (39 properties; total acquisition price (Note): 39,550 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, upon the acquisition of real estate trust beneficiary rights to 8 properties, 4,685 million yen was procured in funds from issuance of new investment units through public offering on January 18, 2022, and 170 million yen from issuance of new investment units through third-party allotment accompanying secondary offering through over-allotment on February 15, 2022. In addition, long-term loans of 1,200 million yen and 3,770 million yen and short-term loans of 230 million yen were borrowed on January 19, 2022, and allocated to part of the funds for acquisition of real estate trust beneficiary rights to 8 properties and related expenses.

Of loans, funds on hand were used to conduct early repayment of short-term loans borrowed on January 19, 2022 (Tranche 8-C: loan amount of 230 million yen) on June 1, 2022. Other than this, of long-term loans borrowed on August 1, 2016 (Tranche D: loan balance of 1,342 million yen), funds on hand were used to execute contractual repayments of 7 million yen on February 1, 2022, and 7 million yen on May 2, 2022. As a result, as at the end of the fiscal period under review (end of June 2022), the balance of loans outstanding was 21,107 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 49.0%.

(Note) As described in "(Outlook for the Next Fiscal Period) ② Significant Subsequent Events (Reference Information) (A) Borrowing of Funds" later in this document, short-term loans of 300 million yen were borrowed on July 5, 2022, to allocate to part of the funds for acquisition of an asset and incidental expenses thereto, and long-term loans of 2,015 million yen in total were borrowed on August 1, 2022, to allocate to repayment of long-term loans due for repayment on August 1, 2022 (Tranche 4-A) of 2,015 million yen. In addition, of the abovementioned long-term loans borrowed on August 1, 2016 (Tranche D), 7 million yen was repaid on August 1, 2022. As a result of these, as of the date of this document, the balance of loans outstanding for marimo REIT stands at 21,400 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 1,779 million yen, operating income of 841 million yen, ordinary income of 693 million yen and net income of 692 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 3,601 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 41 million yen, which is the amount roughly equivalent to 13% 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 216 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 6 yen.

In addition, payout ratio (ratio of total dividends including distribution in excess of earnings to the amount of net income plus depreciation) was 73.5%.

(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 12th fiscal period (fiscal period ended June 2022) was 46,896 million yen, which exceeds the sum total of total book value of real estate, etc. (39,075 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 13th fiscal period (206 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 39,071 million yen and leasehold rights in trust posted to intangible assets of 3 million yen.

(Note 3) For the 39 properties held by marimo REIT as of the end of the fiscal period under review, the 6-month average 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 76 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 206 million yen for the fiscal period ending December 2022 and 168 million yen for the fiscal period ending June 2023. 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, home improvement 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 (San ju San 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 with the number of COVID-19 cases turning to increase across Japan since July 2022.

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 reviewing contract terms and conditions as appropriate, environmental consideration/initiatives and cost reduction by switching lighting in common areas to LED, and reduction of tenant solicitation 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

## Disposition of Asset

marimo REIT decided on August 18, 2022, to dispose the following property in parts (hereinafter, the “Disposition”) (Note 1).

Property number	Property name	Location	Buyer	Disposition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Planned disposition date
Rt-02	ArtizA Tsuzuki Chuo Koen	Yokohama-shi, Kanagawa	Not disclosed (Note 4)	665	575	September 30, 2022
				665	575	January 11, 2023
Total				1,330	1,150	

(Note 1) The plan is disposition in two parts, the first of which is planned to be disposition of 50% quasi co-ownership interest on September 30, 2022, and the second to be 50% quasi co-ownership interest on January 11, 2023.

(Note 2) “Disposition price” indicates the sales price stated in the sale and purchase agreement (excluding consumption tax, local consumption tax and other miscellaneous expenses such as broker’s commissions), rounded down to the nearest million yen.

(Note 3) Appraisal is entrusted to Daiwa Real Estate Appraisal Co., Ltd., and appraisal value indicates the amount equivalent to 50% of the appraisal value stated in the real estate appraisal report with June 30, 2022, as the date of value, rounded down to the nearest specified unit.

(Note 4) The scheduled buyer is a domestic business corporation in Japan, but details are not disclosed as consent for disclosure has not been obtained from the buyer.

(Note 5) The sale and purchase agreement for the Disposition (the “Sale and Purchase Agreement”) falls within forward commitments, etc. by marimo REIT as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. established by the Financial Services Agency. Under the Sale and Purchase Agreement, when it turns out that either marimo REIT or the buyer does not intentionally or negligently fulfill obligations stated in the Sale and Purchase Agreement, or materially violates the representations and warranties matters of marimo REIT or representations and warranties matters of the buyer stipulated in the Sale and Purchase Agreement and the purpose of the Sale and Purchase Agreement becomes unachievable, the agreement may be cancelled after making such demand. When such a cancellation is made, the cancelled party shall immediately pay an amount equivalent to 20% of the disposition price (excluding amount equivalent to consumption tax and local consumption tax) to the counterparty as cancellation penalty. However, since marimo REIT is the seller under the Sale and Purchase Agreement and there are no particular concerns over execution of the Sale and Purchase Agreement, marimo REIT believes that it is unlikely for marimo REIT to incur the aforementioned penalty and that the transaction is unlikely to materially impact the financial standing of marimo REIT.



## (Reference Information)

## (A) Borrowing of Funds

marimo REIT concluded a loan agreement as follows to allocate to part of the acquisition funds and incidental expenses of the property described in “(B) Acquisition of Asset” below on July 5, 2022.

Lender	Loan amount (million yen)	Interest rate (Note 1)	Drawdown date	Maturity date	Repayment method	Remarks
Sumitomo Mitsui Banking Corporation	300	Base rate (JBA 3-month Japanese Yen TIBOR) (Note 2) + 0.200% (floating rate)	July 5, 2022	January 23, 2023 (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 determined 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 (<https://www.jbatibor.or.jp/english/>). If the JBA 3-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.

marimo REIT borrowed long-term loans of 2,015 million yen in total on August 1, 2022, to allocate to the funds for repayment of long-term loans due for repayment on August 1, 2022 (Tranche 4-A) of 2,015 million yen. Details are as follows.

	Lender	Loan amount (million yen)	Interest rate (Note 2)	Drawdown date	Maturity date	Repayment method	Remarks
Tranche 9	Loan syndicate with Sumitomo Mitsui Banking Corporation as arranger (Note 1)	2,015	Base rate (JBA 3-month Japanese Yen TIBOR) (Note 3) + 0.600% (floating rate)	August 1, 2022	August 1, 2025 (Note 4)	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, Limited, Aozora Bank, Ltd., Resona Bank, Limited, Shinsei Bank, Limited, San ju San Bank, Ltd., and The Chugoku Bank, Limited.

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

(Note 3) The base rate applicable to the calculation period for the interest payable on each interest payment date shall be determined 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 (<https://www.jbatibor.or.jp/english/>). If the JBA 3-month Japanese Yen TIBOR falls below 0%, then the base rate shall be 0%.

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

## (B) Acquisition of Asset

marimo REIT acquired the following 1 property (acquisition price: 520 million yen) on July 5, 2022.

Property number (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Acquisition date
Rp-18	ArtizA Kumamotoshinmachi	Kumamoto-shi, Kumamoto	Marimo Co., Ltd.	520	524	July 5, 2022

(Note 1) “Property number” is the number assigned to the property by combining the asset type classifications of “investment targets” and “investment ratio by region” for the assets acquired by marimo REIT. “Investment targets” are represented by “R” for residential, “C” for retail, “H” for hotel and “O” for office, while “p” is for regional and “t” is for Tokyo metropolitan area. In cases of properties with several uses (asset types) in a single building, the investment target classification is based on the asset type that accounts for the largest percentage of the floor area in each building.

(Note 2) “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 acquired, rounded down to the nearest million yen.

(Note 4) “Appraisal value” indicates the appraisal value stated in the real estate appraisal report with May 31, 2022, as the date of value.

## Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending December 2022 (from July 1, 2022, to December 31, 2022) and Fiscal Period Ending June 2023 (from January 1, 2023, to June 30, 2023)

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> <li>● Fiscal period ending December 2022 (13th fiscal period) (from July 1, 2022, to December 31, 2022) (184 days)</li> <li>● Fiscal period ending June 2023 (14th fiscal period) (from January 1, 2023, to June 30, 2023) (181 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>● The assumption is that, of the real estate trust beneficiary rights to 40 properties held as of the date of this document, marimo REIT will continue to hold the real estate trust beneficiary rights to the 39 properties other than ArtizA Tsuzuki Chuo Koen through to the end of the fiscal period ending June 2023, that ArtizA Tsuzuki Chuo Koen will be disposed in parts of 50% quasi co-ownership each in September 2022 and January 2023, and that there will be no acquisition of new properties or disposition of portfolio properties other than those.</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 there will be no delinquent or unpaid rent by tenants.</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 948 million yen for the fiscal period ending December 2022 and 1,007 million yen for the fiscal period ending June 2023.</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 2023 for the real estate trust beneficiary rights to 7 properties acquired on January 19, 2022, the real estate trust beneficiary rights to 1 property acquired on April 1, 2022, and the real estate trust beneficiary rights to 1 property acquired on July 5, 2022 (hereinafter, the "Newly Acquired Assets"). 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 December 2022 and 133 million yen for the fiscal period ending June 2023. Of these, the amount of the effect of the acquisition of the Newly Acquired Assets is expected to be 31 million yen for the fiscal period ending December 2022 and 31 million yen for the fiscal period ending June 2023.</li> <li>● Repair expenses for buildings based on medium- to long-term repair plans formulated by the Asset Manager are expected to be 57 million yen for the fiscal period ending December 2022 and 46 million yen for the fiscal period ending June 2023. 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 315 million yen for the fiscal period ending December 2022 and 312 million yen for the fiscal period ending June 2023.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>● Interest expenses and other borrowing-related expenses are expected to be 139 million yen for the fiscal period ending December 2022 and 138 million yen for the fiscal period ending June 2023.</li> <li>● Amortization of investment unit issuance expenses is expected to be 11 million yen for the fiscal period ending December 2022 and 7 million yen for the fiscal period ending June 2023.</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 21,392 million yen at the end of the fiscal period ending December 2022 and 21,377 million yen at the end of the fiscal period ending June 2023.</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 192,226 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 2023.</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 2022 and fiscal period ending June 2023, 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 2022 and fiscal period ending June 2023. As such, for the fiscal period ending December 2022, total dividends in excess of earnings is expected to be 62 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 61 million yen, and for the fiscal period ending June 2023, total dividends in excess of earnings is expected to be 79 million yen, of which total dividends of allowance for temporary difference adjustments is 1 million yen and other distribution in excess of earnings is 77 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 13th fiscal period (fiscal period ending December 2022) and 14th fiscal period (fiscal period ending June 2023) regardless of the forecast above in the event that such conditions are not met.</p> <p>In addition, concerning the fiscal period ending December 2022 and fiscal period ending June 2023, 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 2022 and fiscal period ending June 2023 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 2022 and fiscal period ending June 2023. 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 24, 2022).

## 2. Financial Statements

## (1) Balance Sheet

(Unit: thousand yen)

	11th fiscal period (As of Dec. 31, 2021)	12th fiscal period (As of June 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	1,322,727	1,038,601
Cash and deposits in trust	2,039,931	2,528,169
Operating accounts receivable	23,638	20,377
Prepaid expenses	81,060	89,219
Consumption taxes refund receivable	—	116,940
Total current assets	3,467,357	3,793,308
Non-current assets		
Property, plant and equipment		
Buildings in trust	13,440,809	17,846,178
Accumulated depreciation	(2,150,658)	(2,404,457)
Buildings in trust, net	11,290,151	15,441,721
Structures in trust	326,486	390,594
Accumulated depreciation	(64,882)	(72,357)
Structures in trust, net	261,604	318,236
Machinery and equipment in trust	118,437	118,437
Accumulated depreciation	(30,531)	(33,454)
Machinery and equipment in trust, net	87,906	84,982
Tools, furniture and fixtures in trust	50,671	52,046
Accumulated depreciation	(16,716)	(19,674)
Tools, furniture and fixtures in trust, net	33,954	32,371
Land in trust	17,712,249	23,193,368
Construction in progress in trust	1,286	1,286
Total property, plant and equipment	29,387,152	39,071,966
Intangible assets		
Leasehold rights in trust	3,331	3,204
Total intangible assets	3,331	3,204
Investments and other assets		
Long-term prepaid expenses	110,841	162,968
Deferred tax assets	15	14
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,500	13,766
Total investments and other assets	134,356	186,748
Total non-current assets	29,524,840	39,261,920
Deferred assets		
Investment unit issuance expenses	9,331	40,570
Total deferred assets	9,331	40,570
<b>Total assets</b>	<b>33,001,530</b>	<b>43,095,798</b>

(Unit: thousand yen)

	11th fiscal period (As of Dec. 31, 2021)	12th fiscal period (As of June 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	272,698	156,041
Current portion of long-term loans payable	2,045,000	4,185,000
Accrued expenses	178,708	208,766
Income taxes payable	916	907
Accrued consumption taxes	18,847	—
Advances received	203,251	262,679
Current portion of tenant leasehold and security deposits in trust	45,021	45,021
Other	5,399	10,484
<b>Total current liabilities</b>	<b>2,769,843</b>	<b>4,868,901</b>
Non-current liabilities		
Long-term loans payable	14,107,500	16,922,500
Tenant leasehold and security deposits in trust	1,268,427	1,499,973
Asset retirement obligations	18,359	18,378
Other	10	10
<b>Total non-current liabilities</b>	<b>15,394,297</b>	<b>18,440,863</b>
<b>Total liabilities</b>	<b>18,164,140</b>	<b>23,309,764</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	14,869,979	19,725,556
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(10,931)	(12,152)
Other deduction from unitholders' capital	(571,992)	(619,628)
<b>Total deduction from unitholders' capital</b>	<b>(582,923)</b>	<b>(631,781)</b>
<b>Unitholders' capital, net</b>	<b>14,287,056</b>	<b>19,093,775</b>
Surplus		
Unappropriated retained earnings (undisposed loss)	550,333	692,259
<b>Total surplus</b>	<b>550,333</b>	<b>692,259</b>
<b>Total unitholders' equity</b>	<b>14,837,389</b>	<b>19,786,034</b>
<b>Total net assets</b>	<b>14,837,389</b>	<b>19,786,034</b>
<b>Total liabilities and net assets</b>	<b>33,001,530</b>	<b>43,095,798</b>

## (2) Statement of Income

(Unit: thousand yen)

	11th fiscal period From: July 1, 2021 To: Dec. 31, 2021	12th fiscal period From: Jan. 1, 2022 To: June 30, 2022
<b>Operating revenue</b>		
Lease business revenue	1,237,775	1,560,094
Other lease business revenue	53,067	106,586
Gain on sale of real estate	111,784	112,903
<b>Total operating revenue</b>	<b>1,402,627</b>	<b>1,779,585</b>
<b>Operating expenses</b>		
Expenses related to rent business	540,495	710,463
Asset management fee	128,190	143,526
Asset custody fee	1,633	2,075
Administrative service fees	15,684	17,363
Directors' compensations	2,400	2,700
Taxes and dues	18,293	21,314
Bad debt loss	607	—
Other operating expenses	41,279	40,884
<b>Total operating expenses</b>	<b>748,585</b>	<b>938,327</b>
<b>Operating income</b>	<b>654,041</b>	<b>841,257</b>
<b>Non-operating income</b>		
Interest income	14	17
Reversal of distributions payable	374	164
Insurance income	6,634	681
<b>Total non-operating income</b>	<b>7,022</b>	<b>864</b>
<b>Non-operating expenses</b>		
Interest expenses	63,705	84,378
Borrowing related expenses	41,450	52,801
Amortization of investment unit issuance expenses	4,665	11,846
<b>Total non-operating expenses</b>	<b>109,821</b>	<b>149,026</b>
<b>Ordinary income</b>	<b>551,242</b>	<b>693,095</b>
<b>Net income before income taxes</b>	<b>551,242</b>	<b>693,095</b>
Income taxes - current	918	910
Income taxes - deferred	(0)	0
<b>Total income taxes</b>	<b>917</b>	<b>910</b>
<b>Net income</b>	<b>550,324</b>	<b>692,184</b>
Retained earnings brought forward	8	74
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>550,333</b>	<b>692,259</b>

## (3) Statement of Unitholders' Equity

11th fiscal period (from July 1, 2021, to December 31, 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	(9,862)	(508,019)	(517,881)	14,352,097
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			(63,972)	(63,972)	(63,972)
Net income					
Total changes of items during period	—	(1,068)	(63,972)	(65,041)	(65,041)
Balance at end of current period	14,869,979	(10,931)	(571,992)	(582,923)	14,287,056

(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	480,339	480,339	14,832,437	14,832,437
Changes of items during period				
Dividends of surplus	(480,331)	(480,331)	(480,331)	(480,331)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,068)	(1,068)
Other distribution in excess of earnings			(63,972)	(63,972)
Net income	550,324	550,324	550,324	550,324
Total changes of items during period	69,993	69,993	4,951	4,951
Balance at end of current period	550,333	550,333	14,837,389	14,837,389

12th fiscal period (from January 1, 2022, to June 30, 2022)

(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	(10,931)	(571,992)	(582,923)	14,287,056
Changes of items during period					
Issuance of new investment units	4,855,576				4,855,576
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,221)		(1,221)	(1,221)
Other distribution in excess of earnings			(47,636)	(47,636)	(47,636)
Net income					
Total changes of items during period	4,855,576	(1,221)	(47,636)	(48,857)	4,806,718
Balance at end of current period	19,725,556	(12,152)	(619,628)	(631,781)	19,093,775

(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	550,333	550,333	14,837,389	14,837,389
Changes of items during period				
Issuance of new investment units			4,855,576	4,855,576
Dividends of surplus	(550,258)	(550,258)	(550,258)	(550,258)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,221)	(1,221)
Other distribution in excess of earnings			(47,636)	(47,636)
Net income	692,184	692,184	692,184	692,184
Total changes of items during period	141,926	141,926	4,948,644	4,948,644
Balance at end of current period	692,259	692,259	19,786,034	19,786,034



## (4) Statement of Distribution of Cash

	11th fiscal period From: July 1, 2021 To: Dec. 31, 2021	12th fiscal period From: Jan. 1, 2022 To: June 30, 2022
I. Unappropriated retained earnings	550,333,180 yen	692,259,231 yen
II. Addition of dividends in excess of earnings	48,857,600 yen	41,520,816 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,221,440 yen	1,153,356 yen
Other deduction from unitholders' capital	47,636,160 yen	40,367,460 yen
III. Dividends	599,116,320 yen	733,726,642 yen
[Dividends per unit]	[3,924 yen]	[3,817 yen]
<i>Of which,</i>		
Dividends of earnings	550,258,720 yen	692,205,826 yen
[Dividends of earnings per unit]	[3,604 yen]	[3,601 yen]
Allowance for temporary difference adjustments	1,221,440 yen	1,153,356 yen
[Dividends in excess of earnings per unit		
(attributable to	[8 yen]	[6 yen]
allowance for temporary difference adjustments)]		
Other dividends in excess of earnings	47,636,160 yen	40,367,460 yen
[Dividends in excess of earnings per unit		
(attributable to	[312 yen]	[210 yen]
other dividends in excess of earnings)]		
IV. Retained earnings carried forward	74,460 yen	53,405 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 550,258,720 yen, which is the largest integral multiple of the total number of investment units issued and outstanding at end of period in an amount not in excess of unappropriated retained earnings, as dividends of earnings.</p> <p>Furthermore, in accordance with the policy on distribution of cash provided in Article 25, Paragraph 2 of the Articles of Incorporation, marimo REIT shall execute distribution in excess of earnings in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 48,857,600 yen, which is the amount roughly equivalent to 20% 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 320 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,221,440 yen, resulting in allowance for temporary difference adjustments per unit of 8 yen.</p>	<p>In accordance with the policy on distribution of cash provided in Article 25, Paragraph 1 of marimo REIT's Articles of Incorporation, dividends shall be the amount of distribution in excess of the amount equivalent to 90% of the amount of marimo REIT's earnings available for distribution provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation.</p> <p>Based on such policy, the decision was made to distribute 692,205,826 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 41,520,816 yen, which is the amount roughly equivalent to 13% 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 216 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,153,356 yen, resulting in allowance for temporary difference adjustments per unit of 6 yen.</p>

## (5) Statement of Cash Flows

(Unit: thousand yen)

	11th fiscal period From: July 1, 2021 To: Dec. 31, 2021	12th fiscal period From: Jan. 1, 2022 To: June 30, 2022
<b>Cash flows from operating activities</b>		
Net income before income taxes	551,242	693,095
Depreciation	248,833	306,196
Amortization of investment unit issuance expenses	4,665	11,846
Interest income	(14)	(17)
Interest expenses	63,705	84,378
Decrease (increase) in operating accounts receivable	(9,694)	3,260
Decrease (increase) in consumption taxes refund receivable	—	(124,462)
Increase (decrease) in accrued consumption taxes	7,867	(11,324)
Decrease (increase) in prepaid expenses	(11,768)	(8,158)
Increase (decrease) in operating accounts payable	(12,812)	46,134
Increase (decrease) in accrued expenses	3,200	22,512
Increase (decrease) in advances received	(279)	59,428
Decrease due to sale of property, plant and equipment in trust	227,309	226,716
Decrease (increase) in long-term prepaid expenses	(27,833)	(52,126)
Other, net	868	4,867
<b>Subtotal</b>	<b>1,045,289</b>	<b>1,262,345</b>
Interest income received	14	17
Interest expenses paid	(62,092)	(76,832)
Income taxes paid	(898)	(918)
<b>Net cash provided by (used in) operating activities</b>	<b>982,312</b>	<b>1,184,612</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(140,184)	(10,380,371)
Proceeds from refund of lease and guarantee deposits in trust	78	—
Payments for lease and guarantee deposits in trust	—	(266)
Payments into restricted deposits	(0)	(0)
<b>Net cash provided by (used in) investing activities</b>	<b>(140,107)</b>	<b>(10,380,637)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	—	230,000
Repayments of short-term loans payable	—	(230,000)
Proceeds from long-term loans payable	3,800,000	4,970,000
Repayments of long-term loans payable	(3,815,000)	(15,000)
Proceeds from issuance of investment units	—	4,812,491
Dividends paid	(545,070)	(598,899)
<b>Net cash provided by (used in) financing activities</b>	<b>(560,070)</b>	<b>9,168,591</b>
Net increase (decrease) in cash and cash equivalents	282,135	(27,434)
Cash and cash equivalents at beginning of period	1,738,073	2,020,208
Cash and cash equivalents at end of period	2,020,208	1,992,774

- (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 2–68 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>(1) Standards for revenue recognition The details of main performance obligations concerning revenue generated from contracts between marimo REIT and its customers and the ordinary time to fulfil said performance obligations (ordinary time to recognize revenue) are as follows. ① Sale of real estate, etc. For the sale of real estate, etc., marimo REIT recognizes revenue when the buyer, who is a customer, gains control of the real estate, etc. by performing the delivery obligations stipulated in the contract on sale of real estate. ② Utilities income For utilities income, marimo REIT recognizes revenue in accordance with the supply of electricity, water, etc. to the lessee, who is a customer, based on the details of the lease agreement of real estate, etc. and agreements incidental to it. Of utilities income, in the case that marimo REIT deems itself to be an agent, the net amount obtained by deducting the amount it pays to other related parties from the amount it receives as charges for electricity, gas, etc. supplied by said other related parties is recognized as revenue.</p> <p>(2) 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 11th fiscal period and 54,674 thousand yen for the 12th 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 non-deductible consumption tax, etc. Non-deductible consumption tax, etc. on non-current assets are included in the cost of acquisition of each asset.</p>

[Additional Information]

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

11th fiscal period (from July 1, 2021, to December 31, 2021)

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

The posting of MRR Omuta's amortization of leasehold rights for leasehold rights 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 1,221 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.

12th fiscal period (from January 1, 2022, to June 30, 2022)

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

The posting of MRR Omuta's amortization of leasehold rights for leasehold rights 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 1,153 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.