

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

August 17, 2018

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: <http://www.marimo-reit.co.jp/>

Scheduled date of commencement of dividends payment: September 19, 2018

Scheduled date of submission of securities report: September 27, 2018

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 2018 (from January 1, 2018 to June 30, 2018)

(1) Operating Results

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended June 2018	1,057	40.0	472	49.9	395	50.1	394	50.3
Ended Dec. 2017	755	1.4	314	(0.8)	263	(1.8)	262	(1.8)

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 2018	3,100	3.8	1.7	37.4
Ended Dec. 2017	2,886	3.2	1.4	34.9

(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 2018	2,982	394	459	60	3,441	455	100.0	3.2
Ended Dec. 2017	2,887	262	544	49	3,431	312	100.0	3.2

(Note 1) The breakdown of total dividends in excess of earnings for the fiscal period ended December 2017 is total dividends from allowance for temporary difference adjustments of 1 million yen (12 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 48 million yen (532 yen per unit).

The breakdown of total dividends in excess of earnings for the fiscal period ended June 2018 is total dividends from allowance for temporary difference adjustments of 1 million yen (8 yen per unit) and total dividends from distribution accompanying decrease in capital, etc. under tax law of 59 million yen (451 yen per unit).

(Note 2) The ratio of decreasing surplus, etc. attributable to distribution in excess of earnings (refund of investments in capital) for the fiscal period ended December 2017 is 0.007 and for the fiscal period ended June 2018 is 0.005.

(Note 3) Payout ratio is the figure calculated by the following formula, rounded to the first decimal place.

Payout ratio = Total dividends (excluding dividends in excess of earnings) ÷ Net income × 100

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Ended June 2018	27,746	12,671	45.7	95,746
Ended Dec. 2017	19,066	8,250	43.3	90,691

(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 2018	559	(7,905)	7,823	1,516
Ended Dec. 2017	439	(61)	(537)	1,038

2. Operating Forecasts for the Fiscal Period Ending December 2018 (from July 1, 2018 to December 31, 2018) and
Operating Forecasts for the Fiscal Period Ending June 2019 (from January 1, 2019 to June 30, 2019)

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Dividends per unit (excluding dividends in excess of earnings)	Dividends in excess of earnings per unit	Dividends per unit (including dividends in excess of earnings)
	mn yen	%	mn yen	%	mn yen	%	mn yen	%	yen	yen	yen
Ending Dec. 2018	1,086	2.7	467	(1.0)	391	(1.0)	390	(1.0)	2,953	473	3,426
Ending June 2019	1,086	0.0	461	(1.3)	387	(1.2)	386	(1.2)	2,918	486	3,404

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

Fiscal period ending December 2018: 2,953 yen Fiscal period ending June 2019: 2,918 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatements

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- ② Changes in accounting policies other than ①: None
- ③ Changes in accounting estimates: None
- ④ Retrospective restatements: None

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including treasury investment units) at end of period

Fiscal period ended June 2018	132,340 units	Fiscal period ended Dec. 2017	90,968 units
-------------------------------	---------------	-------------------------------	--------------

- ② Number of treasury investment units at end of period

Fiscal period ended June 2018	0 units	Fiscal period ended Dec. 2017	0 units
-------------------------------	---------	-------------------------------	---------

* Presentation of the Status of Implementation of Audit Procedures

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

* Explanation of Appropriate Use of Operating Forecasts, and Other Matters of Special Note

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by marimo Regional Revitalization REIT, Inc. (hereinafter, "marimo REIT"). Accordingly, the actual operating results, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of dividends.

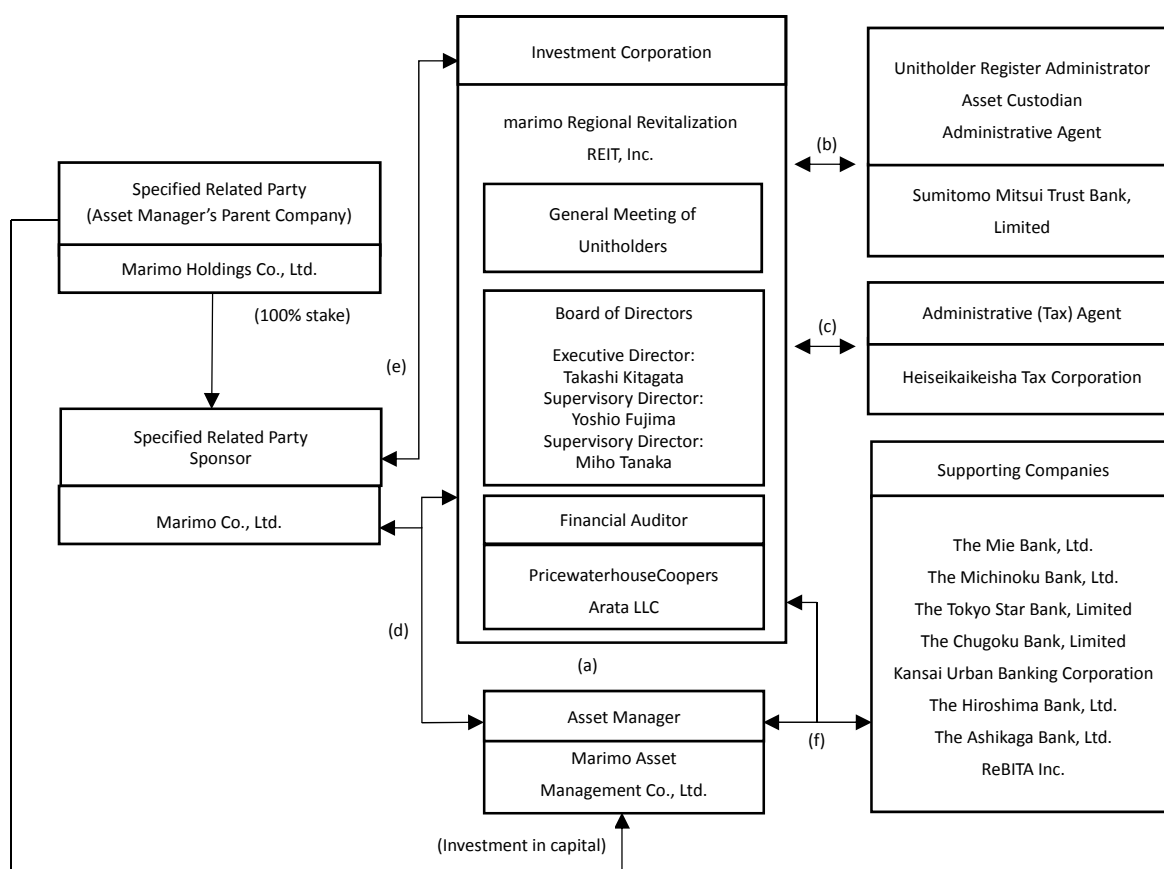
Furthermore, for details on the assumptions underlying the forecast figures above, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending December 2018 (from July 1, 2018 to December 31, 2018) and Fiscal Period Ending June 2019 (from January 1, 2019 to June 30, 2019)" on page 9.

Table of Contents

1. Related Parties of the Investment Corporation	2
(1) Structure of marimo REIT	2
(2) Name, Operational Role and Outline of Involved Operations of marimo REIT and marimo REIT's Related Parties	2
(3) Key Related Parties of marimo REIT Other Than the Above	4
(4) Structure of Investments in Silent Partnership, Etc.	4
2. Management Policy and Management Status	5
(1) Management Policy	5
(2) Management Status	5
(3) Investment Risks	11
3. Financial Statements	12
(1) Balance Sheet	12
(2) Statement of Income	14
(3) Statement of Unitholders' Equity	15
(4) Statement of Distribution of Cash	17
(5) Statement of Cash Flows	18
(6) Notes on the Going Concern Assumption	19
(7) Notes on Matters Concerning Significant Accounting Policies	19

1. Related Parties of the Investment Corporation

(1) Structure of marimo REIT



<Name of agreement>

- (a) Asset management agreement
- (b) Asset custody agreement, administrative agency agreement, and unitholder register administration agreement
- (c) Tax agency agreement
- (d) Sponsor pipeline and support agreement
- (e) Real estate trust beneficiary right sale and purchase agreement, and master lease agreement and property management agreement for real estate that are the trust assets of the trust with trustees for portfolio assets
- (f) Support agreement (Note)

(Note) marimo REIT and Marimo Asset Management Co., Ltd. (hereinafter, the "Asset Manager") have entered into a support agreement with each supporting company (refers to a party with which marimo REIT and the Asset Manager have entered into a support agreement; the same shall apply hereinafter) individually.

The Asset Manager approved at the meeting of its Board of Directors held on July 27, 2018 the transfer of the shares that ReBITA Inc. (hereinafter, "ReBITA") holds in the Asset Manager to Marimo Holdings Co., Ltd. (hereinafter, "Marimo Holdings") (the transfer was executed on said date). In tandem with this, the "sponsor pipeline and support agreement" entered by ReBITA, marimo REIT and the Asset Manager on February 12, 2016 (as amended) was cancelled by agreement on July 27, 2018 and a "support agreement" was newly entered by the three parties on said date.

(2) Name, Operational Role and Outline of Involved Operations of marimo REIT and marimo REIT's Related Parties

Operational role	Name	Outline of involved operations
Investment corporation	marimo Regional Revitalization REIT, Inc.	Invest in assets under management with real estate related assets as the main investment target for the purpose of securing stable profit and steady growth of assets under management over the medium to long term based on the Articles of Incorporation.

Operational role	Name	Outline of involved operations
Asset manager	Marimo Asset Management Co., Ltd.	<p>Entered into an asset management agreement with marimo REIT on February 5, 2016.</p> <p>As an asset management company under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the “Investment Trusts Act”), performs operations pertaining to investment of assets (Article 198, Paragraph 1 of the Investment Trusts Act) in accordance with the asset management targets and policy provided in marimo REIT’s Articles of Incorporation based on the agreement.</p> <p>The outline of operations entrusted to the Asset Manager is (a) operations pertaining to investment of assets of marimo REIT, (b) operations pertaining to financing of marimo REIT, (c) reporting to marimo REIT, and (d) other operations related or incidental to the preceding (a) through (c) entrusted by marimo REIT as needed (including reporting by attending meetings of marimo REIT’s Board of Directors).</p>
Unitholder register administrator Administrative agent Asset custodian	Sumitomo Mitsui Trust Bank, Limited	<p>Entered into a transfer agency agreement with the Asset Manager, as the organizer of marimo REIT, on January 29, 2016 (marimo REIT succeeded the position under the agreement from the Asset Manager on February 5, 2016), and entered into an administrative agency agreement and an asset custody agreement with marimo REIT on February 5, 2016.</p> <p>As an administrative agent under the Investment Trusts Act, performs administrative processes based on the transfer agency agreement, including (a) preparation and keeping of the unitholder register and investment unit option register, and other administrative processes concerning the unitholder register and investment unit option register, (b) administrative processes concerning issuance of investment securities and investment unit option certificates, (c) administrative processes concerning payment of cash for distribution to unitholders, (d) administrative processes concerning acceptance of requests for exercise of rights by unitholders and other applications from unitholders, (e) administrative processes concerning acceptance of requests for exercise of rights by investment unit option holders and other applications from investment unit option holders, and (f) administrative processes concerning operation of administrative instruments for unitholder meetings. In addition, performs administrative processes based on the administrative agency agreement, including (a) administrative processes concerning operation of administrative instruments (but excluding administrative processes concerning delivery of unitholder meeting related documents, and receipt and aggregation of voting forms), (b) administrative processes concerning accounts, (c) administrative processes concerning preparation of accounting books, and (d) administrative processes concerning tax payments.</p> <p>Moreover, as an asset custody company under the Investment Trusts Act (Article 208, Paragraph 1 of the Investment Trusts Act), performs operations based on the asset custody agreement, including operations pertaining to custody of assets held by marimo REIT.</p>

Operational role	Name	Outline of involved operations
Administrative (tax) agent	Heiseikaikeisha Tax Corporation	Entered into a contract on entrustment of certified public tax accountant services (as amended; hereinafter, the “tax agency agreement”) with marimo REIT on February 5, 2016. As an administrative agent under the Investment Trusts Act, performs administrative processes concerning tax payments based on the tax agency agreement.
Specified related party Sponsor (Note 1)	Marimo Co., Ltd. (Note 2)	Entered into a sponsor pipeline and support agreement with marimo REIT and the Asset Manager on February 24, 2016, and thereby provides sponsor support, including provision of property information. Transferred some assets under management to marimo REIT based on a real estate trust beneficiary right sale and purchase agreement entered into with marimo REIT. During the fiscal period under review, 7 properties of the portfolio assets were transferred to marimo REIT for 7,700 million yen (total acquisition price) on January 23, 2018 based on a real estate trust beneficiary right sale and purchase agreement entered into with marimo REIT on January 4, 2018. Moreover, leases all portfolio assets from trustees based on a master lease agreement (as amended) entered into with trustees. Furthermore, the agreement is a fixed-rent-type master lease agreement in the case of Yamada Denki Tecc Land Mihara Store and a pass-through-type master lease agreement otherwise. Additionally, entrusted with all property management operations for portfolio assets based on a property management agreement (as amended) entered into with trustees.
Specified related party Asset manager’s parent company	Marimo Holdings Co., Ltd. (Note 2)	The parent company of Marimo Asset Management Co., Ltd. and Marimo Co., Ltd.

(Note 1) “Sponsor” refers to a party with which marimo REIT and the Asset Manager have entered into a sponsor pipeline and support agreement. The same shall apply hereinafter.

(Note 2) Marimo Co., Ltd. and Marimo Holdings fall under the category of specified affiliated juridical person provided in Article 12, Paragraph 3 of the Cabinet Office Order on Disclosure of Information on Regulated Securities (Ministry of Finance Order No. 22 of 1993, as amended).

(3) Key Related Parties of marimo REIT Other Than the Above

Role	Name	Outline of operations
Supporting companies	The Mie Bank, Ltd. The Michinoku Bank, Ltd. The Tokyo Star Bank, Limited The Chugoku Bank, Limited Kansai Urban Banking Corporation The Hiroshima Bank, Ltd. The Ashikaga Bank, Ltd. ReBITA Inc.	Provides support based on a support agreement. Of the supporting companies, The Mie Bank, Ltd. and The Michinoku Bank, Ltd. are shareholders of the Asset Manager.

(4) Structure of Investments in Silent Partnership, Etc.

marimo REIT has not made investments in silent partnership equity interests, etc. as of the date of this document.

2. Management Policy and Management Status

(1) Management Policy

Disclosure is omitted, because there is no significant change from “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent securities report (submitted on March 29, 2018).

(2) Management Status

(Overview of the Fiscal Period under Review)

① Brief History of the Investment Corporation

marimo REIT was incorporated under the Investment Trusts Act with the Asset Manager as the organizer and investments in capital of 200 million yen (2,000 units) on February 5, 2016, and completed the registration with the Kanto Local Finance Bureau on March 16, 2016 (Registration No. 113 with the Director-General of the Kanto Local Finance Bureau). marimo REIT then implemented an issuance of new investment units through public offering (88,500 units) with July 28, 2016 as the payment due date, and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. on July 29, 2016 (securities code: 3470). Later, 468 units were issued through third-party allotment accompanying secondary offering through over-allotment on August 31, 2016. In the fiscal period under review (4th fiscal period: fiscal period ended June 2018), marimo REIT implemented an issuance of new investment units through public offering (39,500 units) on January 22, 2018 and issuance of new investment units through third-party allotment accompanying secondary offering through over-allotment (1,872 units) on February 16, 2018. These resulted in total number of investment units issued and outstanding of 132,340 units as of the end of the fiscal period under review.

(Note) Amounts are rounded down to the nearest million yen. The same shall apply hereinafter.

② Investment Environment

In the fiscal period under review, the Japanese economic conditions were improvement in the employment and income situation, but consumer sentiment remaining cautious. With these and other factors, real GDP growth rate for the period from January to March 2018 (seasonally adjusted; second preliminary estimate) was an annualized rate of -0.6% period-on-period, marking the first negative growth since the period from October to December 2015. On the other hand, trade statistics show high growth in exports and domestic demand, too, is picking up centering on private consumption and business fixed investment, and front-loaded increase in demand prior to the consumption tax hike and construction investment prior to the Olympic Games mean acceleration in growth can also be expected. These suggest that strong showing will continue.

(Financial Market)

Due to Bank of Japan’s monetary easing policy effects, the JBA 3-month Japanese Yen TIBOR maintained a stable level at 0.06727% from early October 2017 through the immediately following three months, and also remained at no more than an increase of 0.00182% compared with the end of the previous fiscal period at 0.06909% at the end of the fiscal period under review. The trend of interest increase is seen to continue, calling for the need to take heed of financial market volatility impact.

(Real Estate Transaction Market)

Fiscal 2017’s domestic real estate transaction amount was close to 900 billion yen higher than the previous fiscal year, resulting in a total transaction amount of approximately 5 trillion yen. Foreign corporations served as the driver in both the selling and buying sides of transactions, and large-sized transactions where the transaction is at least 10 billion yen increased. However, the market is becoming increasingly harsh as evident by such factors as decrease in real estate cap rates and shortage of investment-grade properties. Nevertheless, the real estate transaction market is seen to keep remaining strong.

(Residential Leasing Market)

According to the number of households by type of rental housing from 1993 to 2013 for the Tokyo metropolitan area and the rest of Japan (“Housing and Land Survey” by the Statistics Bureau of the Ministry of Internal Affairs and Communications), the number of households living in privately-owned rental housing (non-wooden) is increasing, suggesting that demand for rental housing is stable and demand for rental housing in Japan is likely to continue to grow.

(Note) “Tokyo metropolitan area” refers to Tokyo, Kanagawa, Chiba and Saitama. The same shall apply hereinafter.

(Retail Property Market)

According to the “Current Survey of Commerce” by the Ministry of Economy, Trade and Industry, for the period from January to March 2018, the rate of increase in sales value compared with the same period of the previous year for supermarkets was +1.2% as a national average. Although there were regional differences, particularly with high rate of increase at +1.8% for the Shikoku area, +1.7% for the Chugoku area and +1.4% for the Hokkaido area, but -0.3% for the Kinki area, the trend generally across Japan was an increasing trend. In addition, the rate of increase for drug stores was +7.4% as a national average and notably over 10% for the Kinki and Okinawa areas, one of the underlying factors of which is seen to be the effects of inbound tourism demand. The sales value of supermarkets and drug stores, selling daily necessities, is seen to continue to be stable.

(Hotel Market)

According to the “Overnight Travel Statistics Survey” by the Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism, the year-on-year rate of increase in the number of international overnight guests from January to December 2017 was +16.0% for regional areas, a substantially larger increase than the +5.5% for the Tokyo metropolitan area, suggesting that tourism demand for regional areas is active and on an increasing trend. The guest room occupancy rate for business hotels in Japan steadily increased to 75.3% (+1.0% year-on-year), with Japan’s highest guest room occupancy rate in Japan being Osaka Prefecture’s 85.1% (-0.1% year-on-year) and Japan’s top in terms of the year-on-year rate of increase in the total number of overnight guests being Kagoshima Prefecture (+12.0% year-on-year). The number of international visitors to Japan in 2017 continued strong, increasing by 19.3% year-on-year to 28.69 million. These suggest that business hotels can continue to expect stable occupancy.

(Office Leasing Market)

According to the “Japan Office MarketView Q1 2018” by CBRE K.K., in the first quarter of 2018, vacancy rate for major regional cities remained pretty much unchanged quarter-on-quarter in the case of Sapporo City at 0.3% (-0.1pts quarter-on-quarter), Hiroshima City at 2.9% (+0.1pts quarter-on-quarter) and Fukuoka City at 0.4% (-0.1pts quarter-on-quarter), but was -0.7pts quarter-on-quarter in the case of Osaka City at 1.7% (-0.7pts quarter-on-quarter) and Nagoya City at 1.8% (-0.7pts quarter-on-quarter) for robust office demand. In addition, in terms of contracted rent, little new supply and strong needs for new office openings or office expansions kept contracted rent on an upward trend and, amid tight supply-demand, the upward trend in rent is likely to continue.

③ Management Performance

In the fiscal period under review, a total of 7 properties (total acquisition price: 7,700 million yen), one of which was MRR Kumamoto, were newly acquired from the sponsor Marimo Co., Ltd. on January 23, 2018. In addition, management for maintaining and enhancing the competitiveness of portfolio assets were underway through integrated promotion of property management operations of the Asset Manager and each of the bases of the property management company Marimo Co., Ltd. at all properties, conducting leasing activities according to the characteristics of each region, setting tenant seeking terms and conditions according to the characteristics and occupancy status of individual properties, etc., and further implementing value enhancement work to install wet area facilities and equipment and flooring materials of outstanding design and durability at residential properties upon tenant replacement, and additionally striving for new installation of parcel delivery boxes and other enhancement of functionality, convenience, etc. As a result, marimo REIT’s portfolio assets as of the end of the fiscal period under review (25 properties; total acquisition price: 24,525 million yen) has occupancy rate of 98.3% and period-average occupancy rate of 98.4%. In addition, cost reduction, too, was implemented through reduction of utility expenses by switching the electric power utility at ArtizA Hakataeki-Minami and, as environmental consideration/initiatives, switching lighting in common areas to LED at MRR Sasebo, MRR Itoshima and Tarumiekimae Gold Building.

(Note 1) “Acquisition price” is the sale and purchase price of each real estate trust beneficiary right stated in the trust beneficiary right sale and purchase contract for each portfolio asset, not including consumption tax and local consumption tax or brokerage fees and other various expenses.

(Note 2) In switching to LED at MRR Itoshima, some sections will be completed during the 5th fiscal period (fiscal period ending December 2018) due to the construction schedule and other circumstances.

④ Financing Status

In the fiscal period under review, upon the acquisition of real estate trust beneficiary rights to 7 properties, 4,142 million yen was procured in funds from issuance of new investment units through public offering on January 22, 2018 and 196 million yen from issuance of new investment units through third-party allotment accompanying secondary offering through over-allotment on February 16, 2018. In addition, 4,985 million yen was borrowed on January 23, 2018, which was allocated to early repayment of short-term loans in the amount of 1,140 million yen and also part of the funds for the acquisition of real estate trust beneficiary rights to 7 properties and related expenses.

Of long-term loans, funds on hand were used to make contractual repayment of 7 million yen on February 1, 2018 and 7 million yen on May 1, 2018. As a result, as at the end of the fiscal period under review (end of June 2018), the balance of loans outstanding was 13,262 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 47.8%.

⑤ Overview of Business Performance

As a result of the above, business performance for the fiscal period under review was operating revenue of 1,057 million yen, operating income of 472 million yen, ordinary income of 395 million yen and net income of 394 million yen.

In addition, concerning dividends, in accordance with the distribution policy provided in marimo REIT's Articles of Incorporation, the decision was made to distribute the entire amount of unappropriated retained earnings, excluding fractions of dividends per unit of less than 1 yen, by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). This resulted in dividends per unit of 2,982 yen.

In addition to this, marimo REIT shall execute distribution of cash in excess of earnings (hereinafter, "distribution in excess of earnings") in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 60 million yen, which is the amount roughly equivalent to 29% of depreciation for the fiscal period under review, as dividends in excess of earnings. This resulted in dividends in excess of earnings per unit of 459 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 8 yen.

In addition, payout ratio (ratio of total dividends including distribution in excess of earnings to the amount of net income plus depreciation) was 75.0%.

(Note 1) Distribution in excess of earnings shall be executed only when total appraisal value of real estate, etc. held as at the end of the accounting period (refers to the appraisal value in the real estate appraisal report with the end of the accounting period as the date of value that was obtained for real estate, etc. held by marimo REIT; the same shall apply hereinafter) exceeds total book value of real estate, etc. for the concerned accounting period plus total planned capital expenditures (refers to the total amount of reserve for capital expenditures) for the concerned accounting period's next period, but after also considering other options, such as utilization for repair expenses and capital expenditures and allocation to funds for repayment of borrowings or acquisition of new properties.

Total appraisal value of real estate, etc. at the end of the 4th fiscal period (fiscal period ended June 2018) was 28,471 million yen, which exceeds the sum total of total book value of real estate, etc. (24,569 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 5th fiscal period (115 million yen).

(Note 2) The breakdown of total book value of real estate, etc. is the sum total of the carrying amount of property, plant and equipment of 24,565 million yen and leasehold interest posted to intangible assets of 4 million yen.

(Note 3) For the 25 properties held by marimo REIT as of the end of the fiscal period under review, the 6-month average amount of the sum total amount of the estimated amount of emergency repair expenses, estimated amount of short-term repair expenses and estimated amount of long-term repair expenses (each those falling under the category of renewal expenses (capital expenditures)) stated in the engineering report is 60 million yen. In addition, the planned amount of repairs (those falling under the category of capital expenditures) currently assumed by marimo REIT is no more than 62 million yen for the fiscal period ending December 2018 and 59 million yen for the fiscal period ending June 2019. Therefore, even if an amount equivalent to the funds expected as reserve for the purpose of future capital expenditures for maintaining the function of buildings, etc. or working capital, etc. and certain funds in preparation for investment that would serve to enhance the income-producing potential of the portfolio are retained from the cash and deposits on hand in an amount equivalent to depreciation on the last day of each accounting period, there is still expected to be residual free cash flows. Accordingly, the decision was made to execute the abovementioned distribution in excess of earnings as part of cash management under the judgment that it is within the scope that sound financial stability will be maintained.

(Outlook for the Next Fiscal Period)

① General Management Outlook

(A) External Growth Strategy

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

In addition, the policy is to pursue expansion of asset size while being granted preferential negotiation rights for sales transactions pertaining to the acquisition of properties, including the “ArtizA” series of rental condominiums developed by Marimo Co., Ltd., income-producing real estate held or purchased by Marimo Co., Ltd. and retail or hotel properties developed in Marimo Co., Ltd.’s urban redevelopment business, etc., based on the sponsor pipeline and support agreement. Along with this, the policy is to keep fully utilizing the abundant property network, property information sourcing strengths, etc. of Marimo Co., Ltd. and the eight supporting companies (The Mie Bank, Ltd., The Michinoku Bank, Ltd., The Tokyo Star Bank, Limited, The Chugoku Bank, Limited, Kansai Urban Banking Corporation, The Hiroshima Bank, Ltd., The Ashikaga Bank, Ltd. and ReBITA) and also property information obtained based on the network accumulated in the real estate industry by the employees of the Asset Manager and property information obtained based on maintaining favorable relationships with the tenants of portfolio properties for the steady external growth of marimo REIT.

Moreover, sale or replacement of properties are considered in cases where deemed appropriate over the medium to long term in portfolio building in light of market conditions.

(Note) Urban redevelopment refers to redevelopment to promote reasonable and sound high-level use and renewal of urban functions of land in urban areas.

(B) Internal Growth Strategy

Through appropriate management of assets with the provision of property management services, etc., provision of leasing support, provision of support in renovation of portfolio assets, provision of fixed-rent-type master lease agreements and other various support pertaining to internal growth from Marimo Co., Ltd. by setting the securing of stable revenue from leasing over the medium to long term as a target, marimo REIT shall aim for stability of revenue and enhancement of income-producing potential and thereby aim for maximization of unitholder value over the medium to long term.

Continuing on from the fiscal period under review, marimo REIT shall work to enhance lease business revenue, such as maintain asset value and competitiveness by implementing strategic value enhancement work, enhance occupancy rate, raise rent upon tenant replacement, and increase parking revenue and other incidental revenue, in light of the operational status of portfolio assets, surrounding competitive property trends and other real estate market conditions.

In addition, along with the measures serving to enhance lease business revenue, marimo REIT shall work to enhance revenue from leasing by striving for reduction of restoration and other repair and construction expenses, reduction of utility expenses by switching the electric power utility, environmental consideration/initiatives and cost reduction by switching lighting in common areas to LED, and reduction of offering expenses and other various expenses.

(C) Financial Strategy

marimo REIT shall engage in financing that would be for the realization of building of a stable asset management base, efficiency of asset management and soundness of financial standing over the medium to long term.

Debt financing shall be with staggering of debt maturities, lengthening of borrowing periods, lowering of borrowing interest rates and conversion of borrowing interest rates to fixed rates in mind, and efforts shall be made to maintain a bank formation comprising several financial institutions, including city banks, trust banks, and regional financial institutions that fully understand the characteristics of each region.

Issuance of new investment units shall be decided in light of the financial environment in due consideration of the dilution of existing unitholders’ rights and accompanying investment unit transaction price trends, etc., and also comprehensively taking into account various factors, such as the demand for funds for acquisition of properties, level of LTV ratio and repayment plan for interest-bearing liabilities.

② Significant Subsequent Events

The Asset Manager approved at the meeting of its Board of Directors held on July 27, 2018 the transfer of the shares that ReBITA holds in the Asset Manager to Marimo Holdings (the transfer was executed on said date). In tandem with this, the “sponsor pipeline and support agreement” entered by ReBITA, marimo REIT and the Asset Manager on February 12, 2016 (as amended) was cancelled by agreement on July 27, 2018 and a “support agreement” was newly entered by the three parties on said date.

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending December 2018 (from July 1, 2018 to December 31, 2018) and Fiscal Period Ending June 2019 (from January 1, 2019 to June 30, 2019)

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> • Fiscal period ending December 2018 (5th fiscal period) (from July 1, 2018 to December 31, 2018) (184 days) • Fiscal period ending June 2019 (6th fiscal period) (from January 1, 2019 to June 30, 2019) (181 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 25 properties held as of the date of this document and that there will be no acquisition of new properties other than those through to the end of the fiscal period ending June 2019. • In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc.
Operating revenue	<ul style="list-style-type: none"> • Operating revenue from leasing of portfolio assets is calculated on the basis of rent, etc. stated in lease contracts in effect as of the date of this document, historical data, etc. • The assumption is that there will be no delinquent or unpaid rent by tenants.
Operating expenses	<ul style="list-style-type: none"> • Of operating expenses from leasing, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data, etc. and by reflecting the factors causing fluctuation in expenses. • Operating income from leasing after operating expenses from leasing (including depreciation) is deducted (excluding gain on sales of real estate properties) is expected to be 627 million yen for the fiscal period ending December 2018 and 618 million yen for the fiscal period ending June 2019. • In general, fixed asset tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the previous beneficiary, etc. upon transactions of real estate, etc., but because the amount equivalent to the reimbursement is included in the cost of acquisition, fiscal 2019 fixed asset tax, city planning tax, etc. is expensed starting from the fiscal period ending June 2019 in the case of the assets that were newly acquired in the fiscal period ended June 2018. Furthermore, the total amount of fixed asset tax, city planning tax, etc. to be expensed is expected to be 81 million yen for the fiscal period ending June 2019 and 81 million yen for the fiscal period ending December 2019. Of these, the amount of the effect of the acquisition of the newly acquired assets is expected to be 26 million yen for the fiscal period ending June 2019 and 26 million yen for the fiscal period ending December 2019. • Repair expenses for buildings based on medium- to long-term repair plans formulated by the Asset Manager are expected to be 52 million yen for the fiscal period ending December 2018 and 33 million yen for the fiscal period ending June 2019. Furthermore, emergency repair expenses possibly arising from unforeseeable factors causing building damage, etc., the amount generally varying materially from fiscal year to fiscal year and not being an amount that arises periodically, etc. may result in repair expenses for each accounting period differing materially from the forecast amount. • Depreciation is calculated by the straight-line method inclusive of incidental expenses and other future additional capital expenditures, and expected to be 213 million yen for the fiscal period ending December 2018 and 215 million yen for the fiscal period ending June 2019.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing related expenses are expected to be 69 million yen for the fiscal period ending December 2018 and 68 million yen for the fiscal period ending June 2019. • Amortization of investment unit issuance expenses is expected to be 5 million yen for the fiscal period ending December 2018 and 5 million yen for the fiscal period ending June 2019.
Loans	<ul style="list-style-type: none"> • The assumption is that, with refund of consumption taxes in the fiscal period ending December 2018, the concerned refund will be used as the source of funds to repay 145 million yen in the fiscal period ending December 2018. • The assumption is that, in addition to the above, internal reserves from a portion of depreciation will be used as the source of funds to repay principal of 15 million yen every fiscal period. • The assumption is that total interest-bearing liabilities will be 13,102 million yen at the end of the fiscal period ending December 2018 and 13,087 million yen at the end of the fiscal period ending June 2019.
Investment units	<ul style="list-style-type: none"> • The assumption is the total number of investment units issued and outstanding as of the date of this document of 132,340 units. • The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending June 2019.
Dividends per unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> • Dividends per unit (excluding dividends in excess of earnings) is calculated based on the assumption that distribution will be in accordance with the policy on distribution of cash provided in marimo REIT's Articles of Incorporation. • Dividends per unit (excluding dividends in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.

Item	Assumptions
Dividends in excess of earnings per unit	<ul style="list-style-type: none"> ● Dividends in excess of earnings per unit is calculated in accordance with the policy provided in marimo REIT’s Articles of Incorporation and the management guidelines that are the internal rules of the Asset Manager. ● Distribution in excess of earnings is calculated based on the assumption that the sum total amount of taxation and accounting discrepancies are distributed as allowance for temporary difference adjustments for the purpose of tax reduction. ● As of the date of this document, marimo REIT deems there to be no specific concerns of substantial deterioration in the external economic environment, real estate market conditions and financial status of marimo REIT. ● For the fiscal period ending December 2018 and fiscal period ending June 2019, there are high needs to retain certain funds to respond in the event that opportunities to acquire new properties as investment that would serve to enhance the income-producing potential of the portfolio or such arises, but in light of marimo REIT’s financial status, projected likelihood of refinancing borrowings, etc., the view is that it is not in a state that calls for prioritized allocation of funds to reducing interest-bearing liabilities, etc. in both concerned accounting periods. ● Depreciation for portfolio assets is expected to be 213 million yen for the fiscal period ending December 2018 and 215 million yen for the fiscal period ending June 2019. Meanwhile, the 6-month average amount of the sum total amount of the estimated amount of emergency repair expenses, estimated amount of short-term repair expenses and estimated amount of long-term repair expenses (each those falling under the category of renewal expenses (capital expenditures)) stated in the engineering report for portfolio assets is 60 million yen. In addition, the planned amount of repairs (those falling under the category of capital expenditures) currently assumed by marimo REIT is no more than 62 million yen for the fiscal period ending December 2018 and 59 million yen for the fiscal period ending June 2019. Therefore, even if an amount equivalent to the funds expected as reserve for the purpose of future capital expenditures for maintaining the function of buildings, etc. or working capital, etc. and certain funds in preparation for investment that would serve to enhance the income-producing potential of the portfolio as described above are retained from the cash and deposits on hand in an amount equivalent to depreciation on the last day of each accounting period, there is still expected to be residual free cash flows. ● In light of the above, as of the date of this document, execution of distribution in excess of earnings is deemed to be reasonable for the fiscal period ending December 2018 and fiscal period ending June 2019. As such, for the fiscal period ending December 2018, 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 2019, total dividends in excess of earnings is expected to be 64 million yen of which total dividends of allowance for temporary difference adjustments is 1 million yen and other distribution in excess of earnings is 63 million yen (Note 1). In this case, the total dividends in excess of earnings is expected to be the amount equivalent to 29.3% and 29.8%, respectively, of the depreciation expected to be incurred in the concerned accounting period, and payout ratio (Note 2) is expected to be 75.0% and 74.9%, respectively. <p>(Note 1) Distribution in excess of earnings shall be executed only when total appraisal value of real estate, etc. held as at the end of the accounting period (refers to the appraisal value in the real estate appraisal report with the end of the accounting period as the date of value that was obtained for real estate, etc. held by marimo REIT) exceeds total book value of real estate, etc. for the concerned accounting period plus total planned capital expenditures (refers to the total amount of reserve for capital expenditures) for the concerned accounting period’s next period, but after also considering other options, such as utilization for repair expenses and capital expenditures and allocation to funds for repayment of borrowings or acquisition of new properties. To that end, distribution in excess of earnings is not executed even in the 5th fiscal period (fiscal period ending December 2018) and 6th fiscal period (fiscal period ending June 2019) regardless of the forecast above in the event that such conditions are not met.</p> <p>In addition, as of the date of this document, marimo REIT adopts the policy of distributing as cash in excess of earnings an amount decided by marimo REIT each accounting period that is not to exceed the amount provided in the rules of The Investment Trusts Association, Japan (hereinafter, “JITA”), no more than the amount equivalent to 30% of depreciation for the concerned accounting period and within the scope not to exceed payout ratio of 75%. Accordingly, the distribution in excess of earnings may not take place or the amount of dividends in excess of earnings may decrease in the event of conflict with these limits.</p> <p>Moreover, in the event that substantial deterioration in the external economic environment, real estate market conditions, financial status of marimo REIT, etc. or such newly arise in the future, the policy as of the date of this document to execute distribution in excess of earnings as part of cash management in the fiscal period ending December 2018 and fiscal period ending June 2019 may be changed and there may also be cases where the distribution in excess of earnings may not take place or the amount of dividends in excess of earnings may decrease even in the fiscal period ending December 2018 and fiscal period ending June 2019 . For instance, each accounting period’s limits on the amount of dividends in excess of earnings like those above may be revised in the case that large-scale additional incorporation of new assets or other factors lead to large fluctuation in the revenue and expense structure of the portfolio or such newly arising, in the case of material change in the financial environment, real estate investment trust market conditions, etc. or in other cases in the period up to when the distribution in excess of earnings for the concerned accounting period is ultimately executed.</p> <p>(Note 2) “Payout ratio” refers to the ratio of total dividends including distribution in excess of earnings to the amount of net income plus depreciation. The same shall apply hereinafter.</p>
Other	<ul style="list-style-type: none"> ● The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations, JITA rules, etc. that will impact the forecast figures above. ● The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(3) Investment Risks

Disclosure is omitted, because there is no significant change from “Investment Risks” in the most recent securities report (submitted on March 29, 2018).

3. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	3rd fiscal period (As of Dec. 31, 2017)	4th fiscal period (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	633,879	931,688
Cash and deposits in trust	1,517,503	1,966,582
Operating accounts receivable	1,535	7,430
Prepaid expenses	30,726	35,118
Deferred tax assets	15	16
Consumption taxes receivable	—	130,174
Other	—	323
Total current assets	2,183,659	3,071,334
Non-current assets		
Property, plant and equipment		
Buildings in trust	8,247,640	11,055,066
Accumulated depreciation	(434,191)	(636,970)
Buildings in trust, net	7,813,448	10,418,095
Structures in trust	192,823	265,363
Accumulated depreciation	(13,422)	(19,389)
Structures in trust, net	179,400	245,974
Machinery and equipment in trust	114,331	114,331
Accumulated depreciation	(7,721)	(10,439)
Machinery and equipment in trust, net	106,610	103,892
Tools, furniture and fixtures in trust	5,347	7,510
Accumulated depreciation	(590)	(1,114)
Tools, furniture and fixtures in trust, net	4,757	6,395
Land in trust	8,709,677	13,790,968
Total property, plant and equipment	16,813,894	24,565,326
Intangible assets		
Leasehold rights in trust	4,348	4,221
Software	4,132	3,541
Total intangible assets	8,480	7,762
Investments and other assets		
Guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	13,500	13,500
Long-term prepaid expenses	36,662	50,115
Total investments and other assets	60,162	73,615
Total non-current assets	16,882,537	24,646,705
Deferred assets		
Investment unit issuance expenses	—	28,146
Total deferred assets	—	28,146
Total assets	19,066,197	27,746,186

(Unit: thousand yen)

	3rd fiscal period (As of Dec. 31, 2017)	4th fiscal period (As of June 30, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	42,133	147,348
Short-term loans payable	1,140,000	—
Current portion of long-term loans payable	30,000	175,000
Accrued expenses	96,388	116,626
Income taxes payable	924	950
Accrued consumption taxes	20,112	—
Advances received	119,057	169,145
Current portion of tenant leasehold and security deposits in trust	51,817	51,817
Other	2,989	7,022
Total current liabilities	1,503,423	667,910
Non-current liabilities		
Long-term loans payable	8,262,500	13,087,500
Tenant leasehold and security deposits in trust	1,032,063	1,301,219
Asset retirement obligations	18,202	18,222
Other	4	193
Total non-current liabilities	9,312,770	14,407,134
Total liabilities	10,816,194	15,075,045
Net assets		
Unitholders' equity		
Unitholders' capital	8,074,023	12,412,622
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(2,001)	(3,092)
Other deduction from unitholders' capital	(84,691)	(133,086)
Total deduction from unitholders' capital	(86,692)	(136,179)
Unitholders' capital, net	7,987,331	12,276,443
Surplus		
Unappropriated retained earnings (undisposed loss)	262,671	394,697
Total surplus	262,671	394,697
Total unitholders' equity	8,250,002	12,671,141
Total net assets	8,250,002	12,671,141
Total liabilities and net assets	19,066,197	27,746,186

(2) Statement of Income

(Unit: thousand yen)

	3rd fiscal period From: July 1, 2017 To: Dec. 31, 2017	4th fiscal period From: Jan. 1, 2018 To: June 30, 2018
Operating revenue		
Lease business revenue	738,005	1,000,078
Other lease business revenue	17,416	57,770
Total operating revenue	755,422	1,057,848
Operating expenses		
Expenses related to rent business	312,826	447,063
Asset management fee	69,232	79,465
Asset custody fee	1,200	1,349
Administrative service fees	11,578	12,886
Directors' compensations	2,400	2,400
Taxes and dues	6,960	9,354
Other operating expenses	36,303	33,255
Total operating expenses	440,502	585,775
Operating income	314,919	472,073
Non-operating income		
Interest income	11	12
Insurance income	225	384
Total non-operating income	237	396
Non-operating expenses		
Interest expenses	35,981	48,386
Borrowing related expenses	15,204	22,433
Amortization of investment unit issuance expenses	—	5,629
Other	421	419
Total non-operating expenses	51,607	76,868
Ordinary income	263,550	395,601
Net income before income taxes	263,550	395,601
Income taxes - current	926	952
Income taxes - deferred	0	(1)
Total income taxes	926	951
Net income	262,623	394,650
Retained earnings brought forward	48	47
Unappropriated retained earnings (undisposed loss)	262,671	394,697

(3) Statement of Unitholders' Equity

3rd fiscal period (from July 1, 2017 to December 31, 2017)

(Unit: thousand yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
Allowance for temporary difference adjustments		Other deduction from unitholders' capital	Total deduction from unitholders' capital		
Balance at beginning of current period	8,074,023	(909)	(38,388)	(39,298)	8,034,725
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings attributable to allowance for temporary difference adjustments		(1,091)		(1,091)	(1,091)
Other distribution in excess of earnings			(46,302)	(46,302)	(46,302)
Net income					
Total changes of items during period	—	(1,091)	(46,302)	(47,394)	(47,394)
Balance at end of current period	8,074,023	(2,001)	(84,691)	(86,692)	7,987,331

(Unit: thousand yen)

	Unitholders' equity			
	Surplus		Total unitholders' equity	Total net assets
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	267,585	267,585	8,302,310	8,302,310
Changes of items during period				
Dividends of surplus	(267,536)	(267,536)	(267,536)	(267,536)
Distribution in excess of earnings attributable to allowance for temporary difference adjustments			(1,091)	(1,091)
Other distribution in excess of earnings			(46,302)	(46,302)
Net income	262,623	262,623	262,623	262,623
Total changes of items during period	(4,913)	(4,913)	(52,307)	(52,307)
Balance at end of current period	262,671	262,671	8,250,002	8,250,002

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

(Unit: thousand yen)

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

(Unit: thousand yen)

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

(4) Statement of Distribution of Cash

	3rd fiscal period From: July 1, 2017 To: Dec. 31, 2017	4th fiscal period From: Jan. 1, 2018 To: June 30, 2018
I. Unappropriated retained earnings	262,671,625 yen	394,697,724 yen
II. Addition of dividends in excess of earnings	49,486,592 yen	60,744,060 yen
<i>Of which,</i>		
Allowance for temporary difference adjustments	1,091,616 yen	1,058,720 yen
Other deduction from unitholders' capital	48,394,976 yen	59,685,340 yen
III. Dividends	312,111,208 yen	455,381,940 yen
[Dividends per unit]	[3,431 yen]	[3,441 yen]
<i>Of which,</i>		
Dividends of earnings	262,624,616 yen	394,637,880 yen
[Dividends of earnings per unit]	[2,887 yen]	[2,982 yen]
Allowance for temporary difference adjustments	1,091,616 yen	1,058,720 yen
[Dividends in excess of earnings per unit (attributable to allowance for temporary difference adjustments)]	[12 yen]	[8 yen]
Other dividends in excess of earnings	48,394,976 yen	59,685,340 yen
[Dividends in excess of earnings per unit (attributable to other dividends in excess of earnings)]	[532 yen]	[451 yen]
IV. Retained earnings carried forward	47,009 yen	59,844 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 262,624,616 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 49,486,592 yen, which is the amount roughly equivalent to 30% of depreciation for the fiscal period under review, as dividends in excess of earnings. This resulted in dividends in excess of earnings per unit of 544 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,091,616 yen, resulting in allowance for temporary difference adjustments per unit of 12 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 394,637,880 yen, which is the largest integral multiple of the total number of investment units issued and outstanding at end of period in an amount not in excess of unappropriated retained earnings, as dividends of earnings.</p> <p>Furthermore, in accordance with the policy on distribution of cash provided in Article 25, Paragraph 2 of the Articles of Incorporation, marimo REIT shall execute distribution in excess of earnings in the fiscal period under review as part of cash management. Based on this, the decision was made to distribute 60,744,060 yen, which is the amount roughly equivalent to 29% of depreciation for the fiscal period under review, as dividends in excess of earnings. This resulted in dividends in excess of earnings per unit of 459 yen. Furthermore, included in the dividends in excess of earnings is distribution of allowance for temporary difference adjustments of 1,058,720 yen, resulting in allowance for temporary difference adjustments per unit of 8 yen.</p>

(5) Statement of Cash Flows

(Unit: thousand yen)

	3rd fiscal period From: July 1, 2017 To: Dec. 31, 2017	4th fiscal period From: Jan. 1, 2018 To: June 30, 2018
Cash flows from operating activities		
Net income before income taxes	263,550	395,601
Depreciation	166,381	212,725
Amortization of investment unit issuance expenses	—	5,629
Interest income	(11)	(12)
Interest expenses	35,981	48,386
Decrease (increase) in operating accounts receivable	31	(5,895)
Decrease (increase) in consumption taxes refund receivable	—	(130,174)
Increase (decrease) in accrued consumption taxes	18,297	(20,112)
Decrease (increase) in prepaid expenses	(9,343)	(4,392)
Increase (decrease) in operating accounts payable	(11,612)	47,128
Increase (decrease) in accrued expenses	2,186	15,134
Increase (decrease) in advances received	1,560	50,088
Decrease (increase) in long-term prepaid expenses	8,739	(13,453)
Other, net	216	3,454
Subtotal	475,977	604,108
Interest income received	11	12
Interest expenses paid	(36,021)	(43,283)
Income taxes paid	(935)	(926)
Net cash provided by (used in) operating activities	439,032	559,910
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(61,691)	(7,905,333)
Payments into restricted deposits	(0)	(0)
Net cash provided by (used in) investing activities	(61,691)	(7,905,334)
Cash flows from financing activities		
Increase in short-term loans payable	500,000	—
Decrease in short-term loans payable	(708,000)	(1,140,000)
Proceeds from long-term loans payable	—	4,985,000
Repayments of long-term loans payable	(15,000)	(15,000)
Proceeds from issuance of investment units	—	4,304,823
Dividends paid	(314,177)	(311,667)
Net cash provided by (used in) financing activities	(537,177)	7,823,156
Net increase (decrease) in cash and cash equivalents	(159,837)	477,732
Cash and cash equivalents at beginning of period	1,198,338	1,038,501
Cash and cash equivalents at end of period	1,038,501	1,516,234

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

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment The straight-line method is adopted. Furthermore, the useful life of core property, plant and equipment is as follows: Buildings in trust 2–64 years Structures in trust 5–49 years Machinery and equipment in trust 19–27 years Tools, furniture and fixtures in trust 3–15 years</p> <p>(2) Intangible assets The straight-line method is adopted. Furthermore, the remaining or useful life of core intangible assets is as follows: Leasehold rights in trust 19 years Software 5 years</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>
<p>2. Accounting for deferred assets</p>	<p>Investment unit issuance expenses Amortized using the straight-line method over 3 years.</p>
<p>3. Standards for revenue and expense recognition</p>	<p>Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. (hereinafter, “fixed asset tax, etc.”) on real estate or trust beneficiary rights that have real estate as trust assets held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to rent business. Furthermore, the amount equivalent to fixed asset tax, etc. in the initial fiscal year borne by marimo REIT upon acquisition of real estate or trust beneficiary rights that have real estate as trust assets is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was not applicable for the 3rd fiscal period and 49,641 thousand yen for the 4th fiscal period.</p>
<p>4. Scope of funds in the statement of cash flows</p>	<p>The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>
<p>5. Other significant matters serving as the basis for preparation of the financial statements</p>	<p>(1) Accounting for trust beneficiary rights that have real estate, etc. as trust assets Concerning trust beneficiary rights that have real estate, etc. as trust assets held, all accounts of assets and liabilities within trust assets and all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. ① Cash and deposits in trust ② Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust ③ Leadhold interest in trust ④ Lease and guarantee deposits in trust ⑤ Current portion of tenant leasehold and security deposits in trust ⑥ Tenant leasehold and security deposits in trust</p> <p>(2) Accounting for consumption tax, etc. The accounting for consumption tax and local consumption tax is that the taxes are excluded from transaction amounts. Furthermore, non-deductible consumption tax on acquisition of assets is included in the cost of acquisition of each asset.</p>

[Additional Information]

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

3rd fiscal period (from July 1, 2017 to December 31, 2017)

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

The posting of MRR Omuta's amortization of leadhold interest for leadhold 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 1,091 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.

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

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

The posting of MRR Omuta's amortization of leadhold interest for leadhold interest in trust and amount in excess of depreciation limit and also asset retirement obligation related expenses led to taxation and accounting discrepancies. Accordingly, allowance for temporary difference adjustments of 1,058 thousand yen was posted in the statement of distribution of cash.

2. Specific method of reversal

For the allowance for temporary difference adjustments of the amortization of leasehold rights for leasehold rights in trust and amount in excess of depreciation limit, the plan is reversal of the corresponding amount at the time of inclusion in deductible expenses upon redemption and sale of leasehold rights and accompanying building removal and also building sale, etc.

In addition, for the allowance for temporary difference adjustments of the asset retirement obligation related expenses, the plan is reversal of the corresponding amount at the time of inclusion in deductible expenses upon building removal and sale, etc.