

Progress of Portfolio Reconstruction

Under “MIRAI Revitalization Plan”

– Supplementary Material for the Press Release
Dated January 25, 2021 –

MIRAI Corporation

January 25, 2021



Overview of “MIRAI Revitalization Plan”

Focus on “MIRAI Revitalization Plan” aiming for recovery and growth of DPU/Unitholders’ Value

1. Conversion of Hotel to Office (BizMiiX Yodoyabashi)

Converting to “ready-to-use serviced office” on the back of solid office demand in Osaka area, aiming to create a high value-added property which will be favored post-COVID-19 market.

2. Further renewal of Mi-Nara

“Fundamental” renewal plan will be considered including replacement of core tenant, review of operational structure, and tie-up with external partners in order to turn the asset into a retail facility that matches the post-COVID-19 market.

3. Portfolio reconstruction (including potential asset replacement)

Leveraging on the strength as diversified REIT, aim to reconstruct the portfolio that matches the post-COVID-19 market. Keeping in mind the combination of **more defensive asset classes**, aspire to create more solid portfolio including **potential asset replacement**.

Action Plan of Portfolio Reconstruction

Aiming for a highly defensive portfolio that matches post-COVID-19 era

Asset Type	% of Portfolio (Note 1)	Action Plan	% of Portfolio (mid-to long-term) (Note 2)
Office	57.1%	<ul style="list-style-type: none"> Consider assets with room for value enhancement through rent gap or review of operational cost and assets that respond to change in work style. Asset with lower absolute profitability will be considered as disposition candidate at the time of asset replacement Considering assets with higher proportion of service sector tenant (clinic, tutoring school etc.) that are less likely to be impacted by COVID-19 and mixed use "utility asset" located near central Tokyo which can attract service sector tenant and can be converted to a satellite office. 	50~60%
Retail	16.3%	<ul style="list-style-type: none"> Cautiously make decision on urban retail asset (located in flourishing area) best suited for F&B tenant. Actively consider neighborhood shopping centers which are steady even under the COVID-19 crisis. Interested in assets (including land asset) with stable cashflow (daily necessity type/ industrial). 	About 25%
New-type/ Others	9.3%	<ul style="list-style-type: none"> Actively consider industrial assets through CRE proposal to business corporates in cooperation with a CRE advisory company (Note 3) (Leverage on Mitsui & Co.'s expertise as well). Continue to consider new type asset utilizing Mitsui & Co. group's network. 	Less than 20%
Hotel	17.4%	<ul style="list-style-type: none"> Suspend new acquisition for foreseeable future. Aim to lower exposure through disposition. 	Less than 15%




Note 1: % of Portfolio is calculated by adding Odawara Material Storage & Delivery Center (land) which is to be acquired on March 1, 2021 to the portfolio as of December 14, 2020. In addition, BizMiix Yodoyabashi (former Hotel WBF Yodoyabashi-Minami) is classified as office by adding the additional investment related to conversion on the acquisition price.

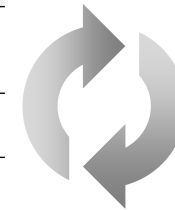
Note 2: Above is an image formulated by the asset manager based on the current state of real estate market and investment strategy and may be impacted by numerous factors including changes in market environment in the future and hence it is a guarantee for future investment breakdown.

Note 3: A CRE advisory company is a company that offers advises and proposals to utilize idle land or liquidate through sale and leaseback related to real estate owned by a company (CRE strategy). The same shall apply hereinafter.

Overview of the Asset Replacement Project (as of January 2021)

- Asset replacement project that improves “Defensiveness and Profitability” of the portfolio
- “Utility Asset (mixed-use property)” that has the flexibility to respond to COVID-19
- Location in central Osaka with high intrinsic real estate value + Tenant composition centered on highly stable service-oriented tenants

	Acquisition		Disposition
Name	 TCA Building	 Odawara Material Storage and Delivery Center (land)	 Comfort Hotel Shin-Yamaguchi
Asset Type	Office (Utility Asset)	Industrial (New Type)	Hotel (Core)
Address	Osaka-shi, Osaka	Odawara-shi, Kanagawa	Yamaguchi-shi, Yamaguchi
Acquisition/Disposition Date	January 28, 2021	March 1, 2021	November 30, 2020
Acquisition/Disposition Price	2,120 million yen	2,300 million yen	920 million yen
Appraisal Value (Note 1)	2,260 million yen	2,550 million yen	942 million yen
Unrealized Gain (Note 2)	+140 million yen	+250 million yen	+69 million yen
NOI Yield after Depreciation (Note 3)	3.8%	4.9%	3.9% (Note 4)



Note 1: As of October 31, 2020.

Note 2: The difference between the appraisal value and the book value. The figure of Comfort Hotel Shin-Yamaguchi is as of October 31, 2020, TCA Building and Odawara Material Storage and Delivery Center (land) is as of the acquisition date.

Note 3: The figure of Comfort Hotel Shin-Yamaguchi is based on the book value based on actual results for the fiscal period ended October 31, 2020, TCA Building and Odawara Material Storage and Delivery Center (land) is based on the acquisition price based on the appraisal NOI.

Note 4: It will become lower than the portfolio average once impact of renewal of facility and maintenance work planned going forward are reflected.

New Property (to be acquired in January 2021)

TCA Building

Utility Asset

Core Asset

Office



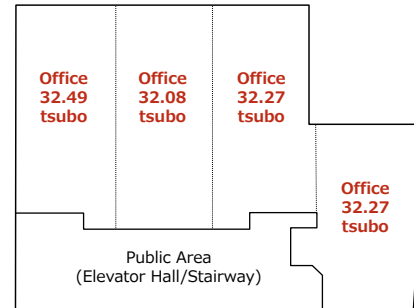
Acquisition Price

2,120
million yen

Appraisal Value

2,260
million yen

Standard floor plan (2-8F)



Address (Residential address)	2-3-19, Motomachi, Naniwa-ku, Osaka-shi, Osaka
Structure	SRC B1F/8F
Date of Building	February 1994
Gross floor area	4,756.97sqm
Total rentable area	3,212.83 sqm
Occupancy ratio (Number of tenants)	100.0% (8)
Annual rent	105 million yen

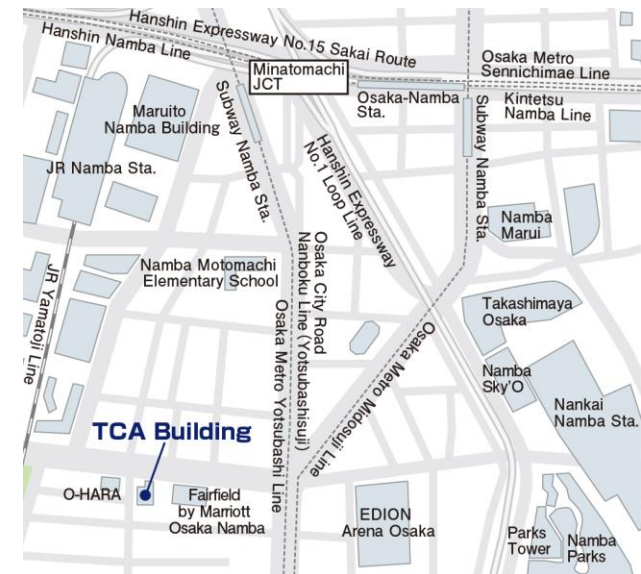
- Located within 6-minute walk from JR "Namba" station and 7-minute walk from Osaka Metro "Namba" station.
- Units have regular shape with no pillars inside the office space which allows for efficient use of space and flexibility in layout. The floor can also be divided into smaller sections to be leased in accordance with the tenant needs.
- Tenants are mostly clinic and tutoring school which are less likely to be impacted by COVID-19 and worsening corporate performance resulting from the impact of COVID-19.
- The current rent in place is lower compared to the market. (Upside expectations)

	Current (1 st year under DCF method)	Market level (DC method)
Appraisal NOI yield	4.3%	5.1%
NOI yield after dep.	3.8%	4.6%

Floor map

8F	Tutoring school
7F	Clinic/Nursery
6F	Correspondence high school
5F	clinic/Office
4F	Clinic
3F	Clinic
2F	Clinic
1F	Drug store
B1F	(Parking lot)

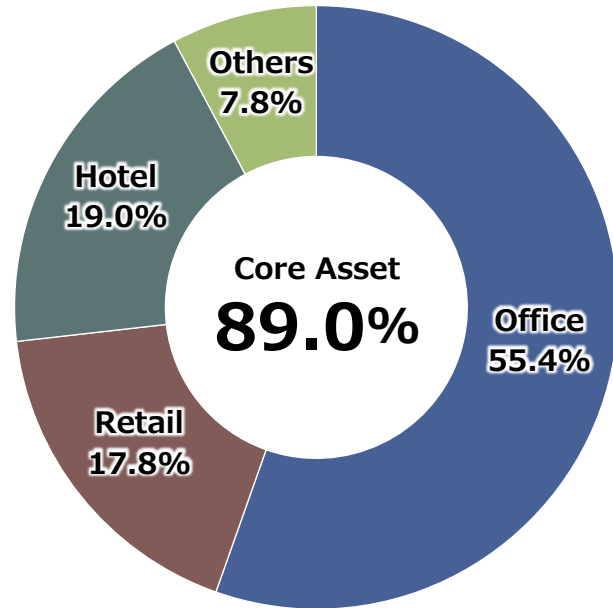
 : Service sector tenants



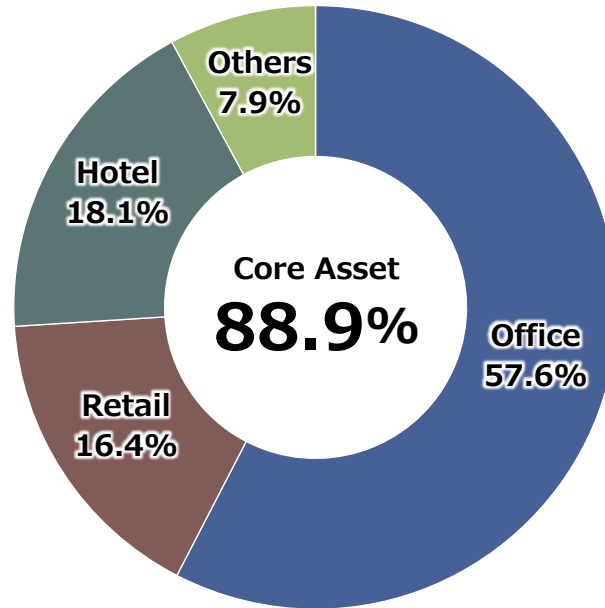
Effects of the Asset Replacement Project and Future Plans

Several asset replacement projects that will improve defensiveness under consideration

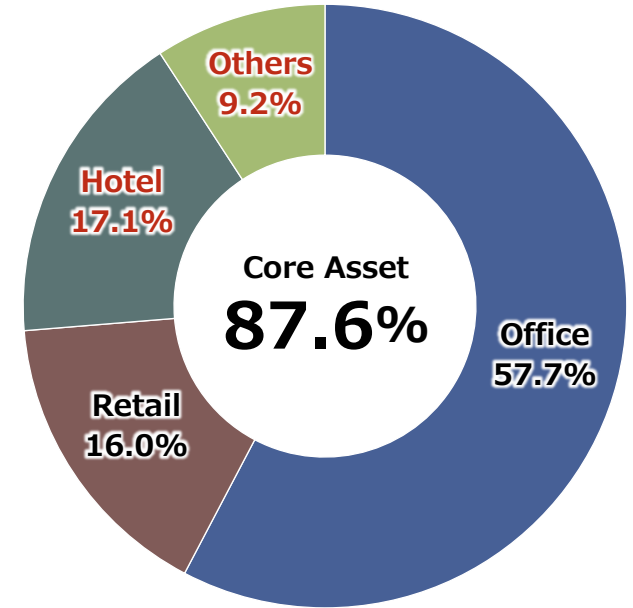
As of the end of 8th FP



As of the end of 9th FP (Note 1)



After Replacement (Note 1)



AUM	153.4 billion yen
NOI yield after dep. (Note 2)	4.1%
NAV/U	49,490 yen

AUM	151.2 billion yen
NOI yield after dep. (Note 2)	4.0%
NAV/U	49,400 yen

AUM	154.7 billion yen
NOI yield after dep. (Note 2)	4.0%
NAV/U	49,590 yen

Note 1: BizMiix Yodoyabashi (former Hotel WBF Yodoyabashi-Minami) is classified as office by adding the additional investment related to conversion on the acquisition price.

Note 2: Calculated by dividing the total NOI after depreciation (the 1st year appraisal NOI under DCF method (if there are any specific issues for the first year, it is the 2nd or the 3rd year) reported on the appraisal report dated end of October 2020 subtracting depreciation) by the total acquisition (expected) price, rounded to the nearest tenth.

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Monetary amounts are rounded down to billions, millions or thousands of yen.

Percentage figures are rounded off to the first decimal place.

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