



MIRAI

13<sup>th</sup> Fiscal Period  
Investor Presentation

May 1, 2022 to October 31, 2022



**MIRAI Corporation**

AM Company: Mitsui Bussan & IDERA Partners Co., Ltd.  
Security Code: 3476 <https://3476.jp/en>

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# Section 1. Operational Highlight

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# Progress of Mid-term Management Plan

## MIRAI Mid-term Management Plan 2025

- In an uncertain market environment, “smart” defense to prepare for the next growth

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- Going on the offensive for disciplined growth while “sharing” views and perspectives with investors

(Smart Defense)

(Offense with Aligned Interest)

DPU

**1,313** yen

(Actual for the FP ended October 2022)

Target of Smart Defense: **1,300** yen level

- +28 yen (+2.2%) compared to the forecast
- Rising utilities expenses covered by disposition

- Forecast 14<sup>th</sup> FP: **1,285** yen / 15<sup>th</sup> FP: **1,100** yen
- Conservatively assume cost inflation/office occupancy and expect full hotel recovery after 2023

NAV per Unit

**51,300** yen

(As of November 30, 2022)

Target: **over 53,000** yen

- +630 yen (+1.2%) compared to April 30, 2022
- Disposition of assets with unrealized loss / increase in appraisal value of existing assets

- Focus on items that can be improved through our own efforts
- Aiming for further increase through asset replacements under consideration

AUM

**164.3** billion yen

(As of November 30, 2022)

Target: **200** billion yen

- Implemented asset replacements (acquired 1 asset / disposed of 2 assets)
- AUM remained flat

- Focus on replacement strategy in the near term
- Continue sourcing activity of quality assets for when the market recovers

# Executive Summary

## Controlling the emerging downside risks with “Smart Defense”

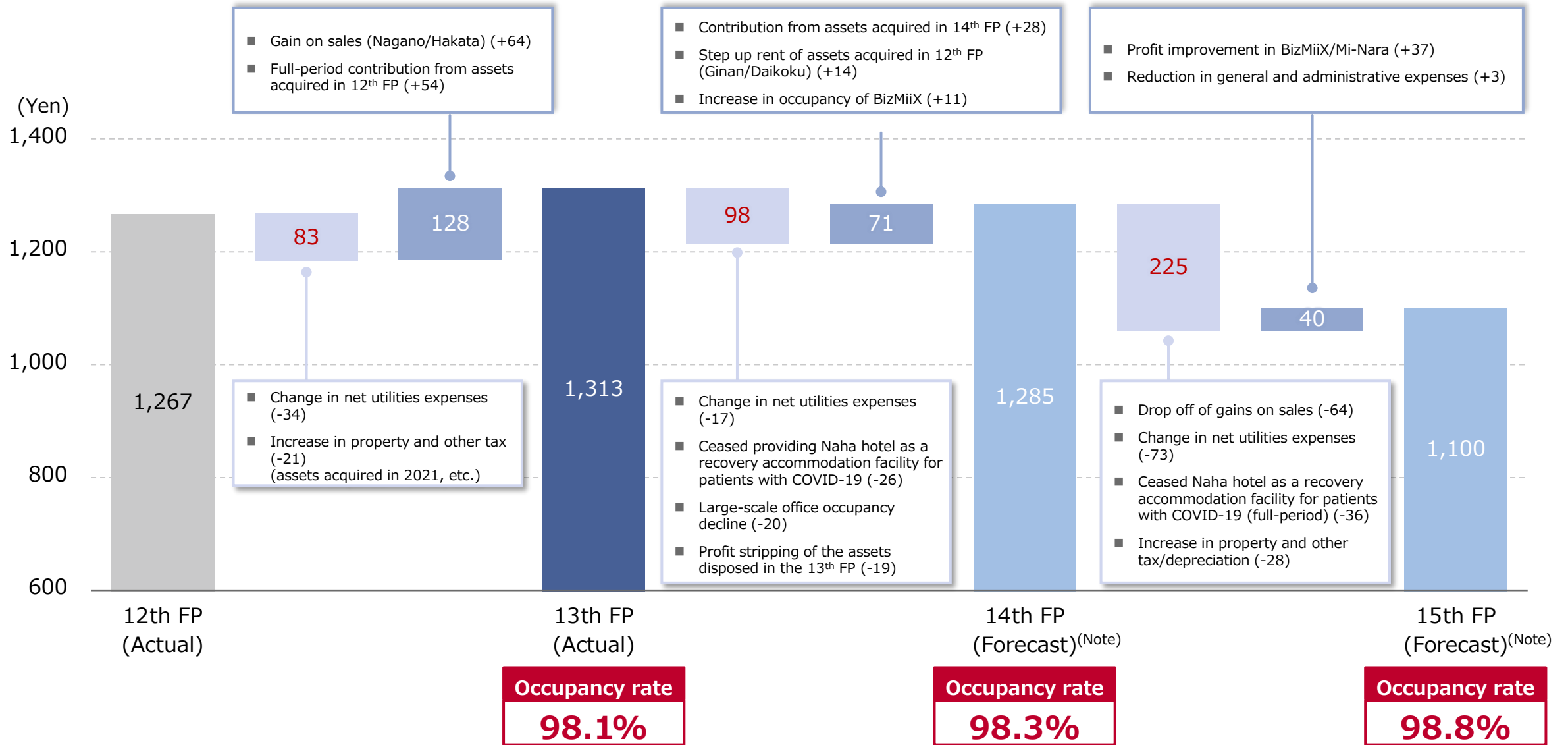
### Actual

### Next Action

	Actual	Next Action
<b>Portfolio Management</b> Occupancy rate at the end of FP <b>98.1%</b> Net utilities <b>(-68)</b> million yen (YoY)	<ul style="list-style-type: none"> <li>■ Tokyo Front Terrace: Maintained occupancy rates by flexible leasing</li> <li>■ BizMiiX Yodoyabashi: on track for stabilized operation (90%)</li> <li>■ Mi-Nara: Highest rent since opening</li> <li>■ First hotel variable rent for COVID-19 Disaster (since February 2020)</li> <li>■ Rising energy costs, etc., caused utilities expenses to rise</li> </ul>	<ul style="list-style-type: none"> <li>■ Large-scale offices are conservatively assumed to <b>recover after 2024</b></li> <li>■ Lifting of entry restrictions and government support measures have led to a significant improvement in hotel occupancy; expect <b>a full-scale recovery of variable rents in 2023</b></li> <li>■ <b>Conservatively expect utilities expenses to rise at a certain pace</b> in the future due to several uncertainties in the outlook, including the situation in Ukraine and economic recovery in China</li> </ul>
<b>Finance</b> Rating by JCR <b>A+ (Stable)</b>	<ul style="list-style-type: none"> <li>■ LTV based on total assets: 48.6% (as of the end of 13<sup>th</sup> FP)</li> <li>■ Refinancing in Nov. 2022 was executed to minimize the impact of rising interest rates while diversifying funding sources</li> </ul>	<ul style="list-style-type: none"> <li>■ Limited impact of rising interest rate in the near term (<b>only 3.5 billion yen in refinancing until the end of the 15<sup>th</sup> FP</b>)</li> <li>■ Continue activities to expand the investor base to achieve growth when the market turns around</li> </ul>
<b>ESG</b> GRESB <b>3 stars</b>	<ul style="list-style-type: none"> <li>■ Improved to GRESB 3 Star/Green Star</li> <li>■ Enhanced information disclosure (Publication of Sustainability Report / Obtaining third-party assurance for environmental data)</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparing to <b>support TCFD recommendations by the end of March 2023</b></li> <li>■ Conversion to renewable energy will be decided primarily based on the cost in the near term; continue research and consideration, including new support systems</li> </ul>

# Historical DPU (Compared with Previous Fiscal Period)

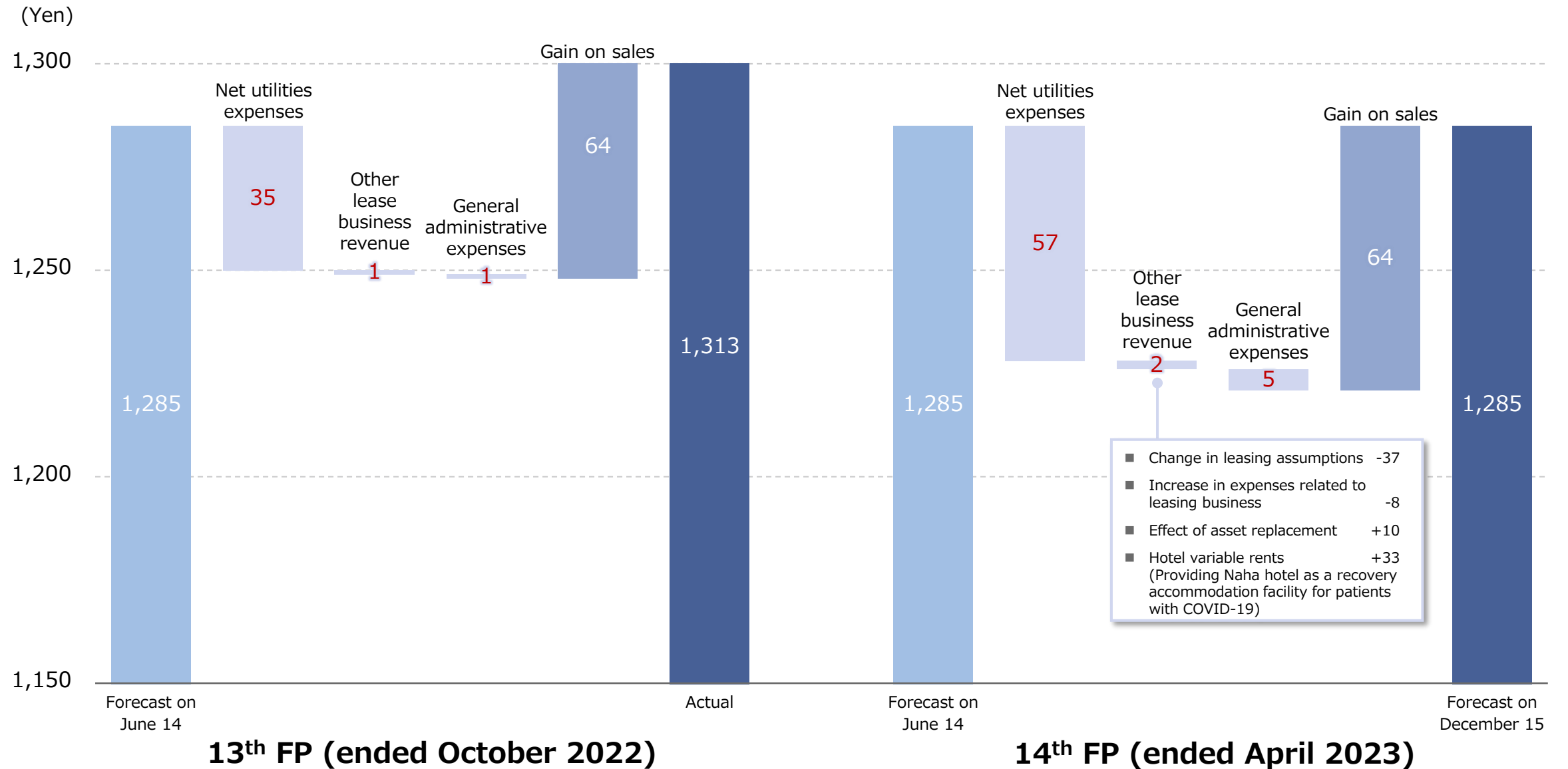
Legend: ■ decrease ■ increase



Note: This forecast is calculated based on certain assumptions as of December 15, 2022 and subject to change due to conditions such as change in rent income through tenant turnovers, acquisition and disposition of assets, and additional unit issuance. The forecast should not be construed as guarantee of DPU. The same applies hereinafter.

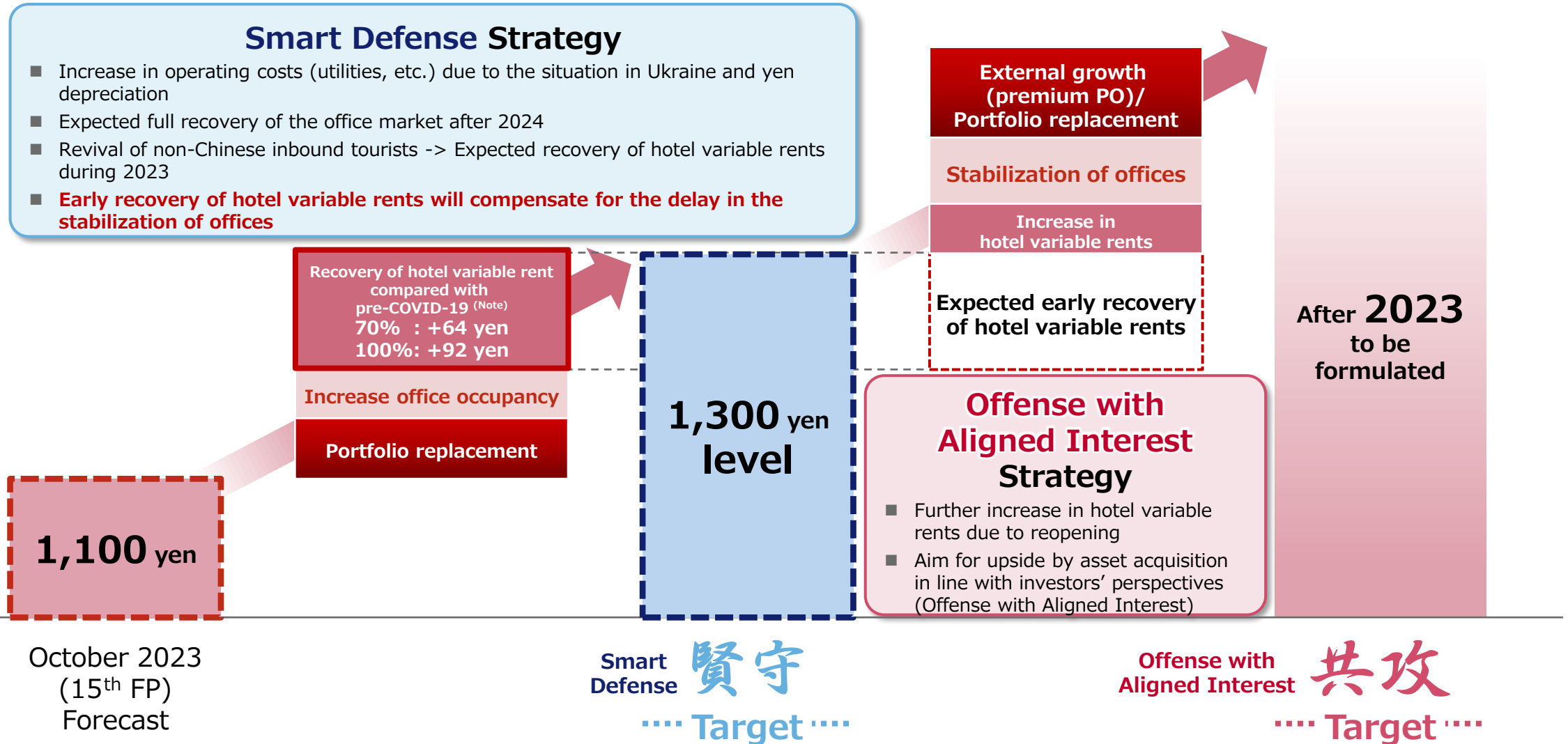
# Historical DPU (Compared with Forecasts)

Legend: ■ decrease ■ increase



# MIRAI Mid-term Management Plan: DPU Target

## Continue “Smart Defense” strategy controlling the emerging downside risks

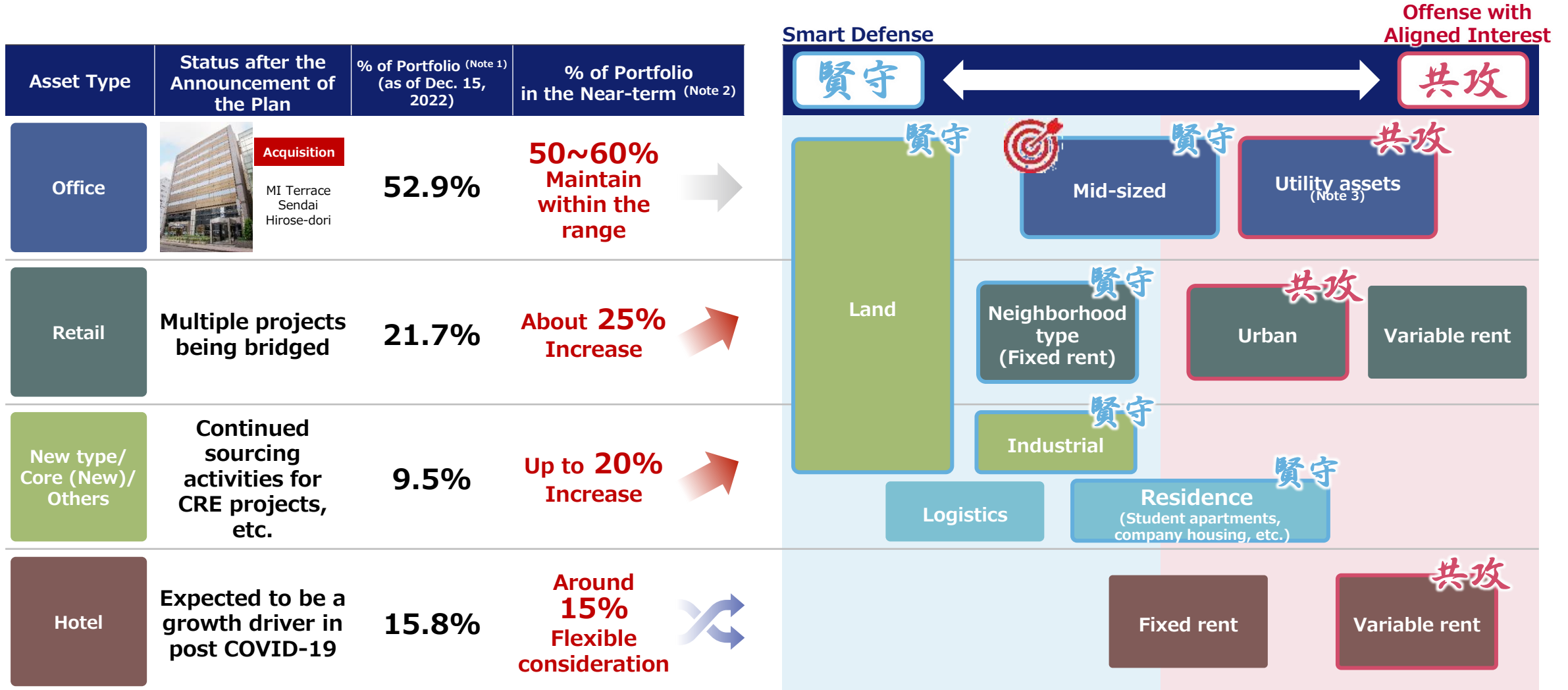


Note: The average monthly variable rent of hotels with variable rents (Smile Hotel Naha City Resort, Smile Hotel Hakataeki-mae, and Smile Hotel Nagoya-sakae) from November 2018 to October 2019 is used as the pre-COVID-19 level, and the figure is calculated by multiplying the variable rent revenue per fiscal period (six months) by the respective percentages and dividing by the number of investment units outstanding as of December 15, 2022. The amount of distribution is not guaranteed, and subject to change due to additional issuance of investment units, etc. The same applies hereinafter.



# External Growth Strategy: Portfolio Strategy in the Near Term

Various asset types are being considered in line with the Mid-term Management Plan



Note 1: Based on acquisition price.

Note 2: It is an image formulated by the asset management company based on the real estate market conditions and investment strategy on December 15, 2022, and there is no guarantee that the said investment ratio will be achieved in the future, as it may be affected by various factors such as changes in the market environment in the future.

Note 3: This refers to mixed-use properties in the suburbs of central Tokyo that can be converted into satellite offices or can attract service sector tenants.

# External Growth Strategy: Acquisition/Disposition Policy

Targeting portfolio quality improvement;  
focus on NAV improvement mainly through Asset Replacements in the Near Term

## Key Investment Policy

### (i) Solid tenant demand

- **Mid-sized offices** that can accommodate a wide range of tenant demand
- **Neighborhood shopping centers** supported by stable consumer demand

Smart  
Defense

### (ii) Strong cash flow/intrinsic real estate value

- **Industrial assets** that is an important base for tenants and has a high probability of continued use
- **Land assets** that have continuity and tenant substitutability, and the possibility of site conversion

Smart  
Defense

### (iii) New core assets that contribute to improved stability

- **Residential assets** which are highly valued for their stability (including student apartments and company housings)
- Consider **logistics facilities**

Smart  
Defense

### (iv) Upside expectations in post-COVID-19

- **Urban retail facilities** expected to see a rapid demand recovery
- **Utility assets** that allow flexible leasing
- **Variable rent hotels** expected to have post-COVID-19 upside

Offense  
with  
Aligned  
Interest

## Disposition Policy

### (i) Improvement of NAV per unit

- Consider disposition of assets with **unrealized losses** or **small unrealized gains**
- Aim to raise the unrealized gain of the entire portfolio and improve NAV/U



### (ii) Stabilization of DPU by securing gain on sales

- Emphasis on **securing gain on sales** by combining multiple assets
- Cover downside risks and stabilize DPU in the near term



### (iii) Improvement of portfolio profitability




- Consider **assets with post-depreciation yields below the portfolio average** as candidates for disposition
- Select replacement targets in consideration of profitability and stability of the entire portfolio

### (iv) Progress in cash flow diversification

- **Proactively consider multi-tenant assets** with good cash flow diversification
- Reduce future leasing risk and build a portfolio that is resilient to downside

# External Growth Strategy: Asset Replacement Results

Asset replacement leading to portfolio quality improvement in line with the “Smart Defense” strategy

	Disposition	Acquisition			
	 Comfort Hotel Nagano	 Orico Hakataeki Minami Building	 MI Terrace Sendai Hirose-dori	<b>NAV/U Improvement</b> <b>+130 yen</b>	<ul style="list-style-type: none"> <li>NAV/U: <b>51,170 yen -&gt; 51,300 yen</b></li> <li>Acquisition price 12.5% discount to appraisal value (MI Terrace Sendai Hirose-dori)</li> </ul>
<b>Acquisition/Disposition Price</b>	<b>2,670 million yen</b>	<b>2,022 million yen</b>	<b>Disposition Gain</b>	<b>226 million yen</b>	<ul style="list-style-type: none"> <li>Disposition gain over two fiscal periods secured through disposition at above appraisal value</li> </ul>
<b>Appraisal Value</b> <small>(Note 1)</small>	<b>2,368 million yen</b>	<b>2,310 million yen</b>	<b>Profitability Improvement</b>	<b>+0.5%</b>	<ul style="list-style-type: none"> <li>Increasing average NOI yield after dep.</li> <li>3.9% (Disposition) -&gt; 4.4% (Acquisition)</li> </ul>
<b>Unrealized Gain</b> <small>(Note 2)</small>	<b>+5 million yen</b>	<b>+248 million yen</b>	<b>Tenant Diversification</b>	<b>2→18</b>	<ul style="list-style-type: none"> <li>Disposed 2 single-tenant assets</li> <li>Acquired mid-sized office with 18 tenants</li> </ul>
<b>NOI Yield after Depreciation</b> <small>(Note 3)</small>	<b>3.9%</b>	<b>4.4%</b>			
<b>Number of Tenants</b>	<b>2</b>	<b>18</b>			


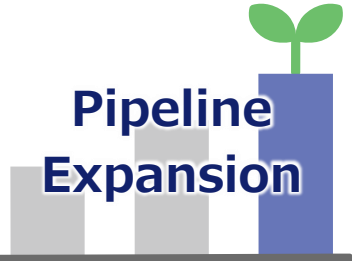




Note 1: Appraisal date - MI Terrace Sendai Hirose-dori: September 30, 2022; Others: April 30, 2022.

Note 2: The figure of “Acquisition” is the difference between the appraisal value and the estimated book value at the time of acquisition; the figures of “Disposition” are the difference between the appraisal value and the book value at the end of April 2022.





Note 3: The figure of “Acquisition” is calculated based on the acquisition price to the appraisal NOI. The figures of “Disposition” are calculated based on the book value to actual results for the fiscal period ended April 30, 2022.

# External Growth Strategy: Specific Measures

Continued to acquire quality assets in preparation for market recovery, focusing on replacement strategy in a challenging acquisition environment

Initiatives		Specific Measures	
 <p><b>Asset Replacement</b></p>	Portfolio control	<ul style="list-style-type: none"> <li>■ Disposition of Comfort Hotel Nagano and Orico Hakataeki Minami Building / Acquisition of MI Terrace Sendai Hirose-dori</li> <li>■ Consider replacement that will lead to the portfolio quality and profitability improvement</li> </ul>	<p><b>NAV/U</b>  <b>51,300 yen</b>            (Target: over 53,000 yen)</p>
 <p><b>Pipeline Expansion</b></p>	Steady accumulation of bridge projects	<ul style="list-style-type: none"> <li>■ 1 Office asset: mid-scale project in three major metropolitan areas</li> <li>■ 2 Retail assets: Urban assets in three major metropolitan areas</li> <li>■ Other residential and Industrial projects under consideration</li> </ul>	<p><b>Assets held in bridge vehicle</b>  <b>About 8 billion yen</b></p>
 <p><b>Further strengthen CRE strategy</b></p>	Further strengthen CRE strategy	<ul style="list-style-type: none"> <li>■ Strengthened collaboration with "CCReB Advisors", a CRE specialist</li> <li>■ Enhance defensiveness: Consider land/industrial assets</li> </ul>	
 <p><b>Sponsor Support</b></p>	Securing quality deals Expand sourcing methods	<ul style="list-style-type: none"> <li>■ Consider development projects in collaboration with Mitsui &amp; Co. Real Estate Ltd.</li> <li>■ Utilize the bridge function of JA Mitsui Leasing Tatemono Co., Ltd.</li> <li>■ Joint investment with the Mitsui &amp; Co. group to acquire quality projects</li> </ul>	

# Portfolio Management: Overview of Portfolio (as of December 15, 2022)

	Office	Retail	Hotel	New Type
<b>AUM (Acquisition Price)</b>	 <b>11</b> properties <b>86.9</b> billion yen	 <b>10</b> properties <b>357</b> billion yen	 <b>12</b> properties <b>259</b> billion yen	 <b>4</b> properties <b>156</b> billion yen
<b>Appraisal NOI Yield</b>	4.5%	4.8%	4.7%	5.3%
<b>NOI Yield after Depreciation</b>	3.7%	3.9%	3.9%	4.5%
<b>Occupancy Rate (Note 1)</b>	96.8%	98.1%	99.1%	100%
<b>Remaining Lease Term</b>	1.4 years	6.7 years	8.8 years	13.1 years
<b>Unrealized Gain (ratio) (Note 1)</b>	7.4 billion yen (+8.5%)	1.4 billion yen (+4.1%)	1.7 billion yen (+7.0%)	1.6 billion yen (+10.3%)
<b>Feature (Note 2)</b>	Large-scale office <b>73.7%</b> Average rent (Note 2) <b>16,250 yen</b>	Urban <b>20.8%</b> Neighborhood <b>79.2%</b>  Core plus      Mi-Nara	Fixed rent <b>58.5%</b> Variable rent <b>41.5%</b> (Minimum guaranteed)	Industrial <b>75.1%</b> Educational <b>24.9%</b>

Note 1: MI Terrace Sendai Hirose-dori: as of September 30, 2022; Others: as of October 31, 2022.

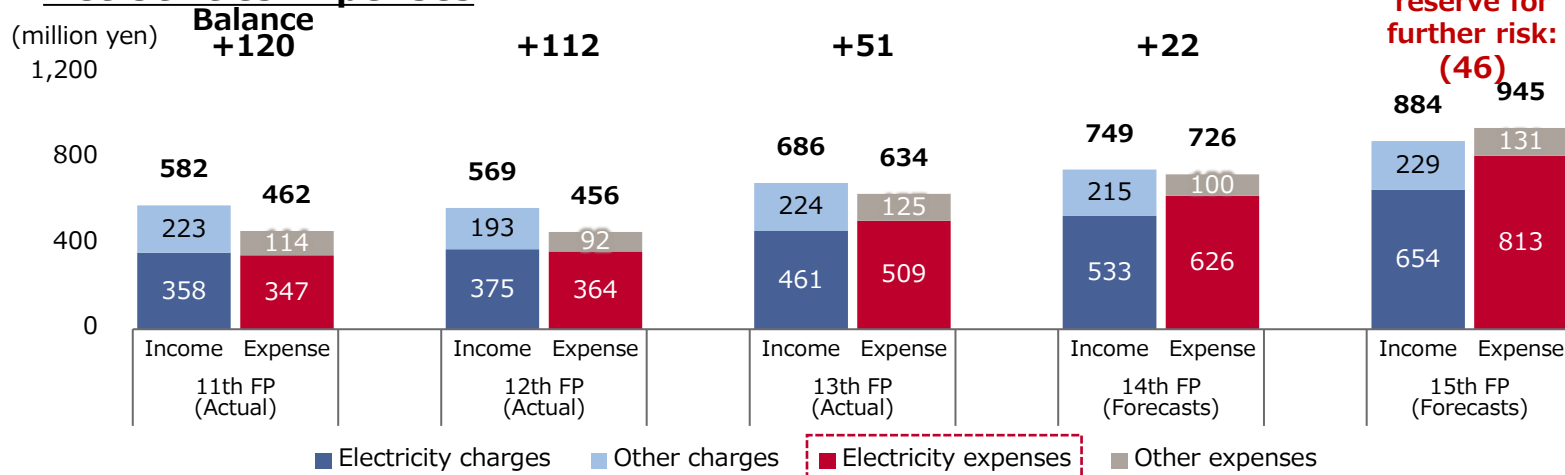
Note 2: Ratio of "Feature" is based on acquisition price.

Note 3: Large-scale office average monthly rent in Tokyo as of October 31, 2022.

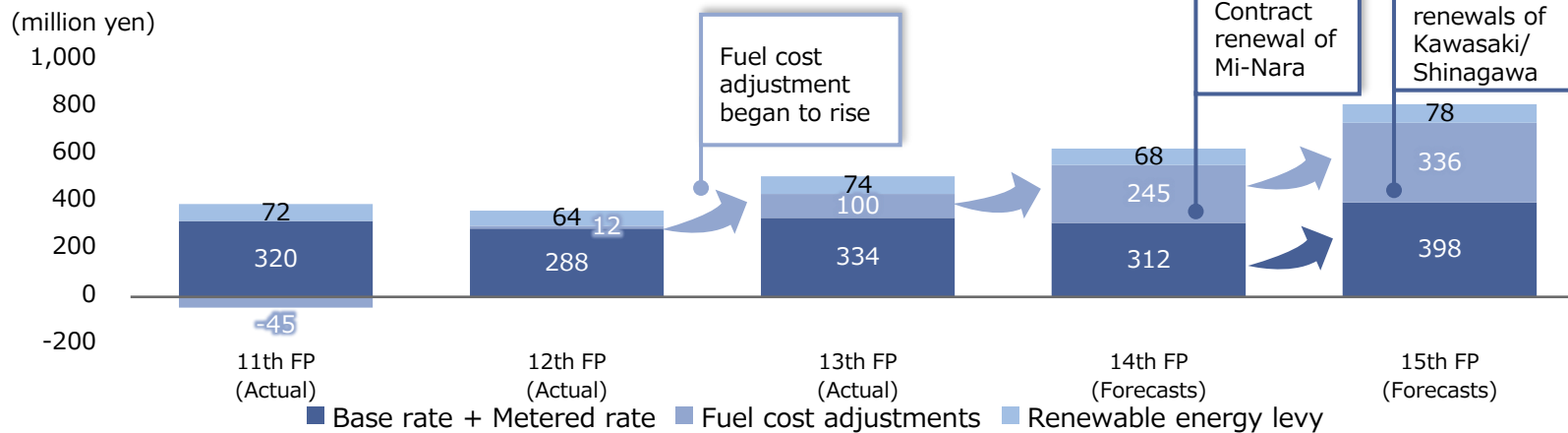
# Impact of Rising Utilities Expenses

Conservatively assumes downside due to future fuel cost adjustments and contract renewals

## Net Utilities Expenses



## Breakdown of Electricity Expenses



## Response to the risk of rising electricity costs

### Top 3 assets for utilities expenses (13<sup>th</sup> FP)

Asset	Utilities Expenses	% of Portfolio	Electric Power Company	Contract Term
Kawasaki Tech Center	239 M yen	37.8%	A	July 31, 2023
Mi-Nara	151 M yen	23.8%	B	March 31, 2023
Shinagawa Seaside Parktower	112 M yen	17.7%	C	July 31, 2023

### Assumptions at contract renewal

- (i) Discontinuation of discounted rates
- (ii) Increase in unit rates in line with market trends

### Recovery plan

- (i) Increase in unit billing rates
  - (ii) Passing on fuel cost adjustments
- 

Recovery effects: **+24 million yen** (Increase in electricity revenues in 13<sup>th</sup> FP)

# Portfolio Management: Large-scale Office (1/2)

## Tokyo Front Terrace maintains occupancy rate by flexibly attracting tenants to re-lease cancelled space

	Acquisition Price (% Ownership)	Total Area (Note 1)	Current Status and Future Outlook	Occupancy rate (Note 2)	
Shinagawa Seaside Parktower	20.2 billion yen (63.4%)	10,594 tsubo	<ul style="list-style-type: none"> <li>Leveraging on leasing strategy which takes advantage of the building's high grade and reasonable rent per tsubo, succeeded in re-leasing one vacancy (232 tsubo) during the 13<sup>th</sup> FP</li> <li>Occupancy rate is 94.7% after reflecting a partial cancellation (257 tsubo) that occurred after the end of the 13<sup>th</sup> FP</li> <li>Major telecommunications company group promoting telework continues its lease with reduced floor space</li> </ul>	End of 13 <sup>th</sup> FP <b>97.1%</b> VS "Shinagawa Seaside" area 76.4%	Stable
Kawasaki Tech Center	23.1 billion yen (100%)	6,877 tsubo	<ul style="list-style-type: none"> <li>Maintain occupancy due to the superiority of the building specifications despite large vacancies in the area</li> <li>Core tenants with DC/research facility use are highly stable and continue to enjoy full occupancy</li> <li>Profitability/stability is improving due to CPU tenant's server enhancement, etc.</li> </ul>	End of 13 <sup>th</sup> FP <b>100.0%</b> VS "Kawasaki" area 83.9%	Stable
Shinjuku Eastside Square	10.0 billion yen (5%)	34,935 tsubo	<ul style="list-style-type: none"> <li>Floor space reduction occurred due to increase in telework ratio, but negotiations are already underway with potential successor tenants</li> <li>While the contract renewal with a major video game manufacturer (contract expiration date: July 2027) is undecided at this time, we have heard from other existing tenant that they would like to increase their floor space in the future</li> </ul>	End of 13 <sup>th</sup> FP <b>98.5%</b> VS "Shinjuku" area 94.2%	Stable
Tokyo Front Terrace	10.5 billion yen (50.2%)	5,857 tsubo	<ul style="list-style-type: none"> <li>Tenants' move-in from April 2022 to October 2022: 4 contracts / 482 tsubo (+8.2%)</li> <li>Maintain occupancy rate by flexibly attracting tenants to re-lease cancelled space</li> <li><b>Movements since November 2022; Contract signed: 302 tsubo/applications received: 651 tsubo</b></li> <li><b>Occupancy rate assumption at the end of the 14<sup>th</sup> FP is 82.8%</b></li> </ul>	End of 13 <sup>th</sup> FP <b>81.3%</b> VS "Tennozu" area 91.6%	Key issue

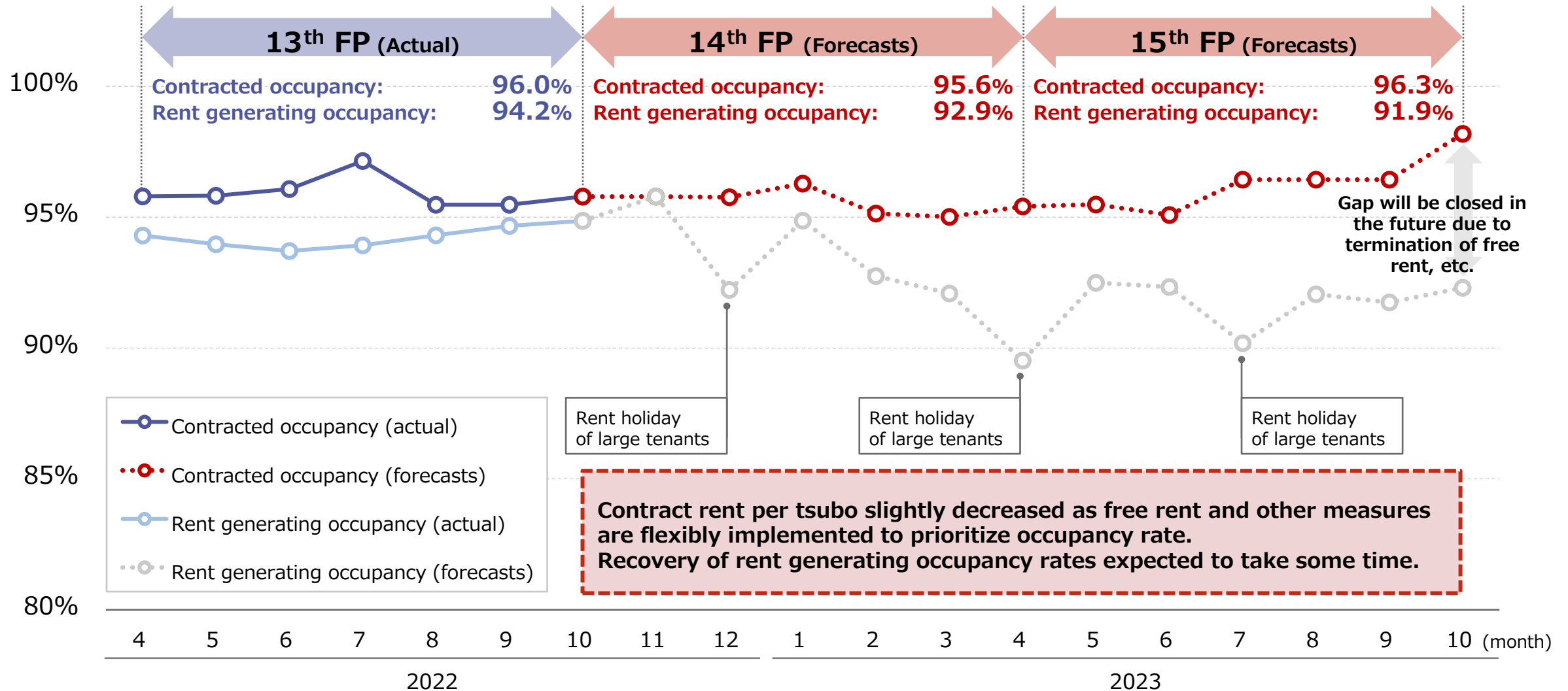
Note 1: The figures for properties with quasi-co-ownership are also based on the entire property (100%).

Note 2: The average occupancy rates for areas other than Shinjuku are calculated based on surveys conducted by the Asset Manager and may differ from actual figures. The occupancy rate for "Shinjuku" is calculated by the Asset Manager based on the average vacancy rate (5.84%) in Shinjuku district published in Miki Shoji's "Office Market Tokyo Business District / As of November 2022".



# Portfolio Management: Large-scale Office (2/2)

## Rent Generating Occupancy Rate <sup>(Note)</sup> of Large-scale Office (Based on Floor Area)



Note: Rent generating occupancy rate = leased area \* (actual rent / monthly rent) / leasable area. Actual rent is the rent actually received from tenants after taking into account free rent, rent holidays, etc.



# (Reference) Leasing Status of Tokyo Front Terrace

**Stacking** (as of December 15, 2022) ■ Tenants moving in after COVID-19 Pandemic

	Occupied				
	Occupied				
20F	Occupied		Occupied		
	Occupied		Application received	To move out	
	Application received				
	Occupied (from December 2022)				
	Occupied				
15F	Occupied	Vacant	Occupied		
	Occupied		Occupied	Vacant	Occupied
	To move out	Occupied	Occupied	Occupied	Occupied
	Occupied	Occupied	Occupied		
	Occupied		Occupied		
10F	Occupied	Occupied	Occupied		
	Occupied	Occupied	Occupied		
	Occupied		Vacant	Occupied	
	Occupied				
	Occupied	Occupied	Vacant	Occupied	
	Occupied				
	Occupied				
5F	Occupied				
	Occupied				
	Occupied				
	Application received				
1F	ENTRANCE				

## Major Moving in since the Spread of COVID-19

### Real estate business (April 2022: 116 tsubo)

- Newly moved in to open a model room for a condominium
- The AM and PM negotiated directly without an intermediary after obtaining information of the tenant's needs, leading to successful leasing

### Medical device manufacturing and sales business (January 2021: 69 tsubo)

- Relocated from Shinjuku area to reduce costs
- Decided to move in as the tenant was able to maintain building grade while reducing costs

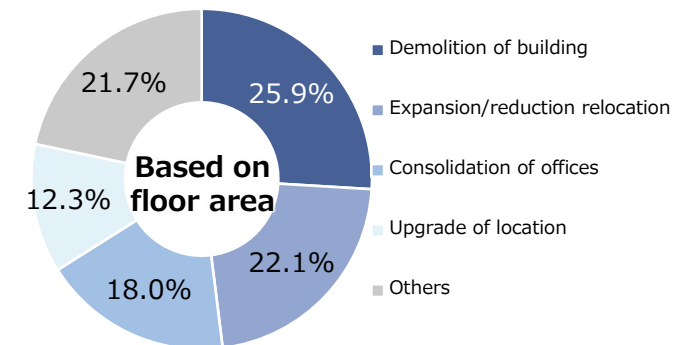
### Beauty equipment manufacturing and sales business (September 2020: 145 tsubo)

- Expansion of existing tenants on adjacent space
- Decided on expansion to consolidate operations for greater efficiency

Tenant replacement in COVID-19 Pandemic  
**13 spaces / 1,235 tsubo**  
 (21.1% of total)

Number of tenants in replacement spaces  
**7 → 13**  
 (Oct. 31, 2019) (Oct. 31, 2022)

### Reason for Tenant Relocation

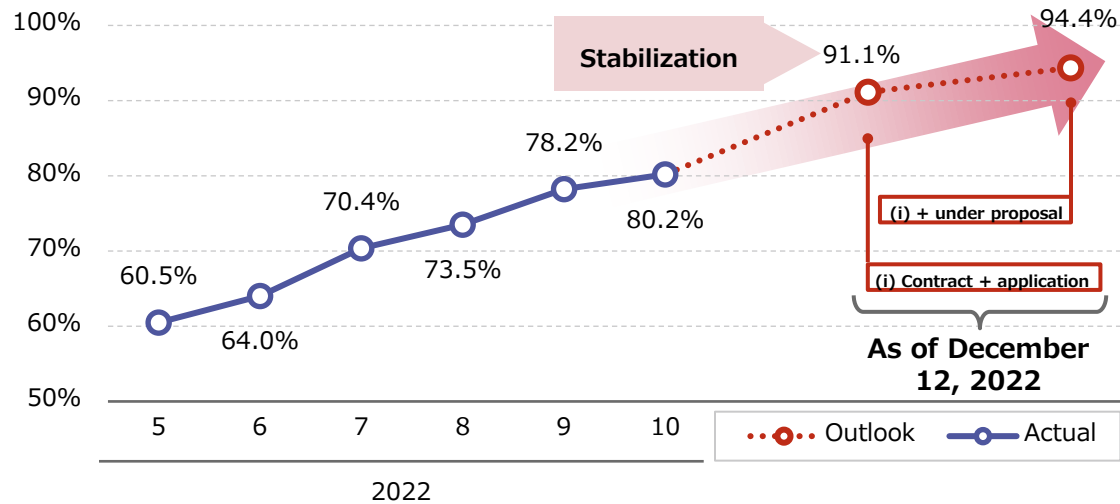


# Portfolio Management: BizMiiX Yodoyabashi & Mi-Nara

**BizMiiX Yodoyabashi is expected to stabilize / Mi-Nara recorded highest rent since its opening**

## BizMiiX Yodoyabashi

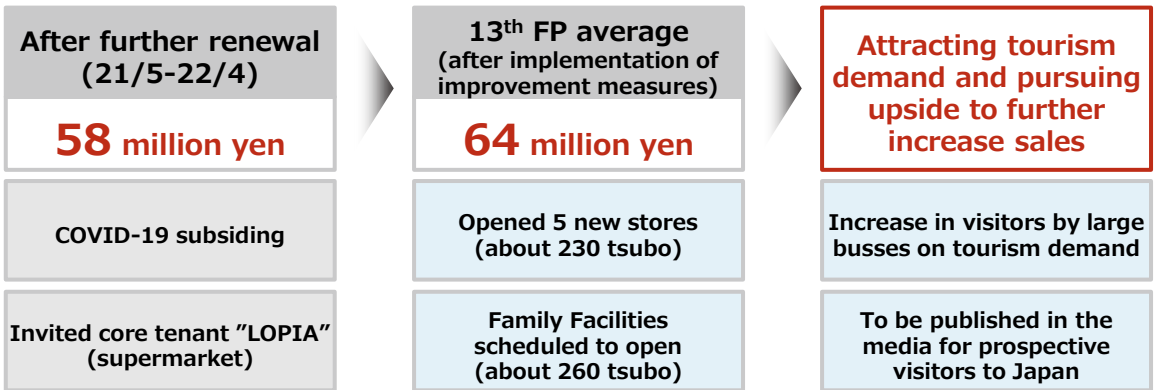
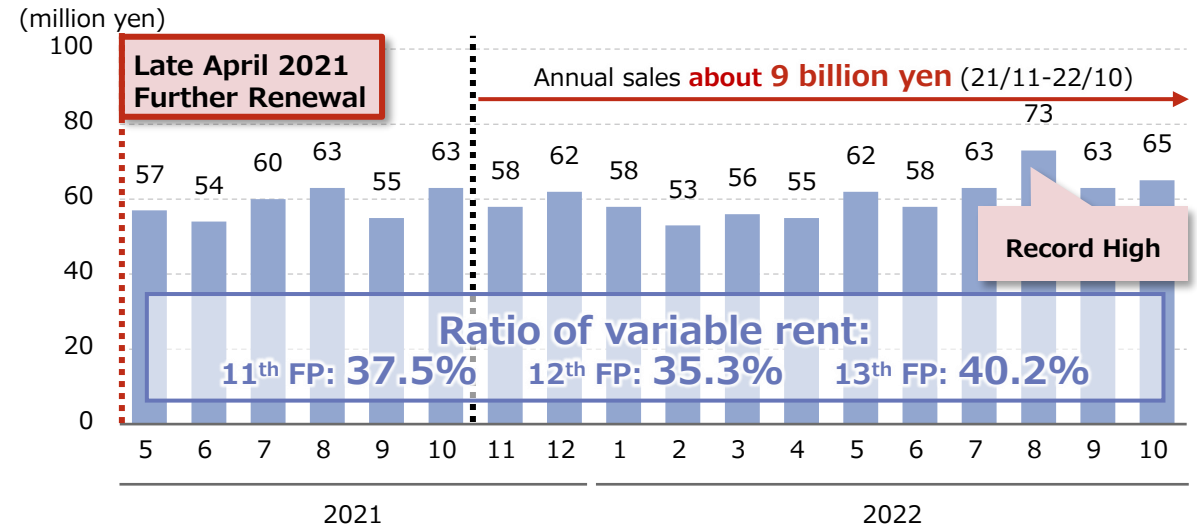
### Leasing Progress (Occupancy Rate Trends)



- **Occupancy rate including applications has surpassed 90%** and is expected to be stabilized
- **Average rent increase** of renewing tenants during the 13<sup>th</sup> FP: **17.3%** (5 contracts / 72 sqm / 7.1% of total)
- Tenant Attributes: Balanced mix of startups, listed/large companies, and small and medium-sized companies

## Mi-Nara

### Monthly Rent



# (Reference) Mi-Nara: Status of Re-renovation (1<sup>st</sup> to 4<sup>th</sup> Floors)

## Ongoing renewal to improve the customer traffic with a view to post-COVID-19



1F



2F



3F



4F

: Existing    
  : Renewal open in April 2021    
  : Open in 12<sup>th</sup> FP    
  : Open in 13<sup>th</sup> FP    
  : Open in 14<sup>th</sup> FP

- 1F: Improved the customer traffic by attracting the core tenant “Lopia” / Plans are underway to open a large-scale general merchandise store on the Omiya-dori Street side of the property
- 2F: Attracted “Ninja Park,” experience type store, and “Reforu,” a showroom for kitchen/bathroom remodeling.
- 3F: In addition to a 100-yen store and toy store, a capsule toy store and a stationery and sundry goods store “COMPASS” are newly opened
- 4F: Goldfish Museum, which was expanded and reopened, continues to do well/ New theme park for families is scheduled to open

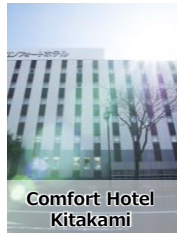
# Portfolio Management: Hotel

In 2023, variable rent hotels will be the driver of internal growth as inbound tourism recovers

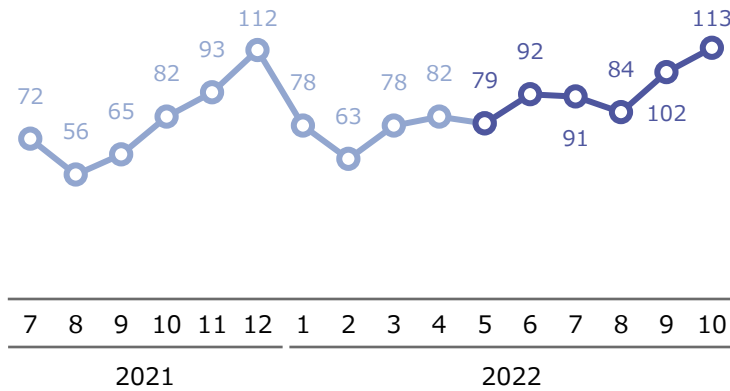
## Fixed Rent Hotels

9 of 12 hotels

15.1 billion yen



RevPAR of Regional Hotels (Note)  
(compared to the same month in 2019/%)



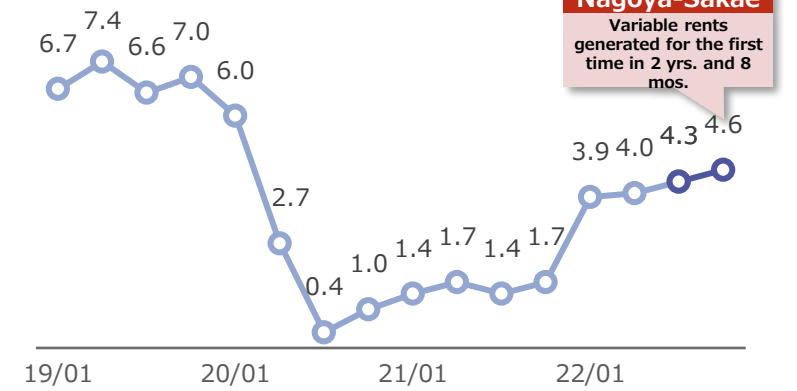
## Variable Rent Hotels

3 of 12 hotels

10.7 billion yen



Average RevPAR for 3 Hotels  
(quarterly/thousand yen)



## Operator Change of Ise City Hotel Annex (Dec. 2022)

New Name: EN HOTEL Ise



New tenant: The COURT Co., Ltd.  
(IDERA Capital Group)  
Opening: March 2023 (scheduled)  
Lease term: 15 years (fixed + variable rent)  
Rooms: 143 (129: 15 sqm/14: 23 sqm)



- Fixed rent to be raised due to increase in tourism demand + further upside expected

## Overseas Guest Ratio of Variable Rent Hotels (pre-COVID-19/2019)

Property	Overseas Guest	Overseas Guest Ratio		
		Taiwan	China	Korea
Naha	37.4%	21.4%	3.4%	9.5%
Hakataeki-Mae	25.9%	5.2%	3.1%	10.4%
Nagoya-Sakae	25.0%	2.1%	12.5%	2.8%

- Relaxed entry restrictions for travelers from abroad since October 11, 2022 (Oct. 2022: x 22.5 more than in the same month last year)
- Confirmed resumption of visits to Japan from **Korea and Taiwan, which are leading the recovery**, and expect to see an increase in future visits

Note: For "RevPAR of Regional Hotels", the figures are for hotels owned by MIRAI, other than those located in greater Tokyo, greater Osaka, greater Nagoya, as well as Fukuoka and Okinawa prefectures for which RevPAR is disclosed and weighted by the number of rooms available for sale, and are compared to the same month in 2019.

# Financial Strategy

Diversify funding sources and refinance while minimizing the impact of interest rate hikes

## Financial Highlight (as of the End of 13<sup>th</sup> FP)

<b>LTV</b>	<b>Average interest rate</b>	<b>Average remaining maturity</b>
<b>48.6%</b>	<b>0.56%</b>	<b>3.4 years</b>
<b>Long-term fixed ratio</b>	<b>Interest-bearing debt</b>	
<b>100%</b>	<b>84.0 billion yen</b>	
<b>Commitment line</b>	<b>Rating</b>	
<b>3.0 billion yen (unused)</b>	<b>JCR A+ (stable)</b> <b>R&amp;I A (stable)</b>	

## Refinancing (November 2022)

	<b>Lender</b>	<b>Amount (billion yen)</b>	<b>Interest Rate</b>	<b>Term</b>
<b>(Existing)</b>	Sumitomo Mitsui Trust Bank / Shinsei Bank	7.0	0.37%	6 years
<b>(New)</b>	Sumitomo Mitsui Trust Bank / Shinsei Bank / <b>The Juhachi-Shinwa Bank</b>	7.0	0.72%	5 years

- Invited new regional banks to diversify funding sources
- **Spread level unchanged from January 2022 execution (Base interest rate + 0.27%)**
- Extend duration as much as possible while controlling impact to DPU

# ESG Initiatives

## Obtained GRESB 3 Star rating/ Progress has also been made on disclosure measures, including the publication of the Sustainability Report

### GRESB Real Estate Assessment

Obtained **3 Star and Green Star** ratings of GRESB Real Estate Assessment in 2022, one rank higher than last year

<Evaluated points>

- Acquired third-party assurance for environmental performance data
- Promoted green leasing and distributed sustainability guides



G R E S B  
☆☆☆☆☆ 2022

### Third-party Assurance for Environmental Data

Acquisition of **third-party assurance** for environmental performance data from April 2021 to March 2022  
Continue to promote highly objective disclosure with a view to expanding the scope of assurance



### Sustainability Report

MIRAI's first **sustainability report** was published in October 2022 as a measure to regularly disclose information to stakeholders



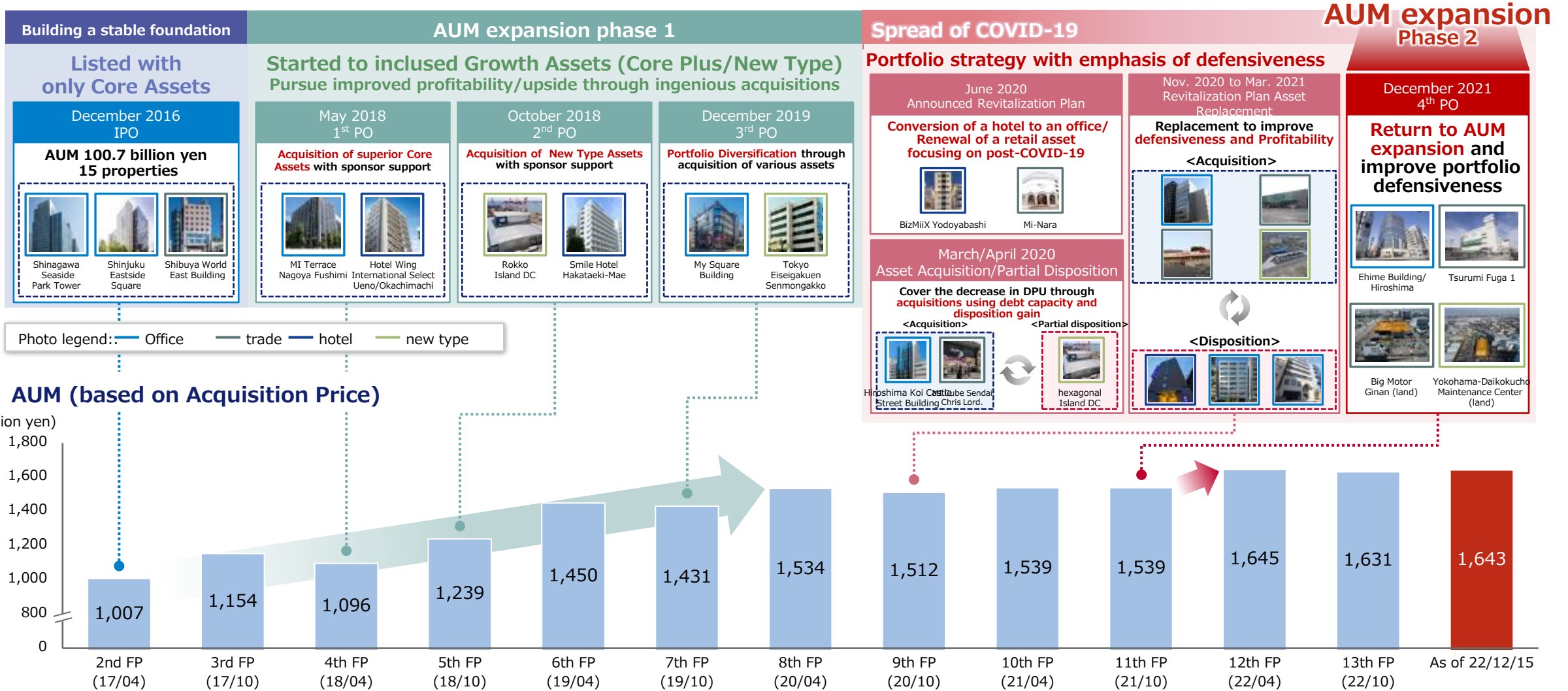
([https://3476.jp/file/en-esg\\_file-658b2cdfd862421f1843eef08230bd70152a05a6.pdf](https://3476.jp/file/en-esg_file-658b2cdfd862421f1843eef08230bd70152a05a6.pdf))

## Section 2. Progress of MIRAI

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# Progress to Date

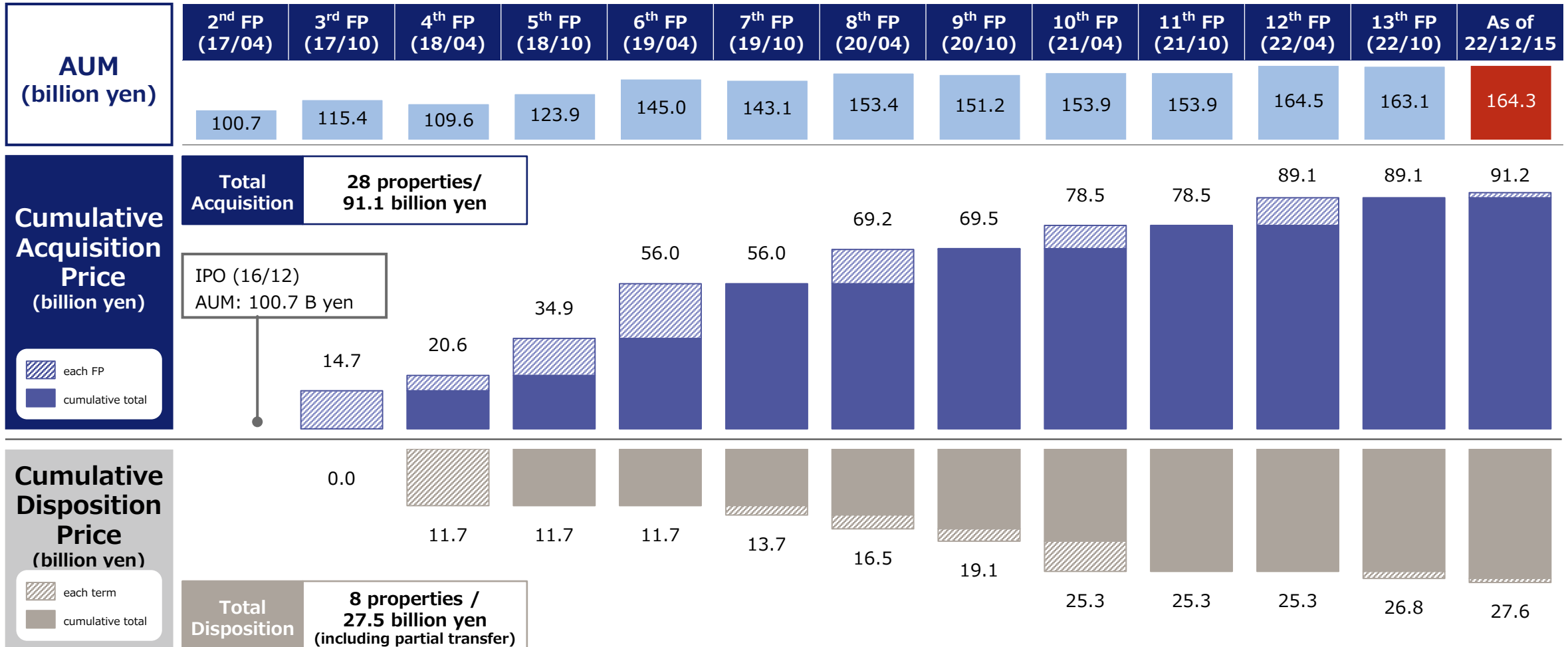
## Entering AUM expansion phase (phase 2) after portfolio replacement with COVID-19 crisis











# Track Record of Active Management

**Aim to improve the portfolio through continuous asset replacement**



# Portfolio Transition and NAV Improvement

Achieve AUM expansion and NAV per unit growth through highly agile strategies

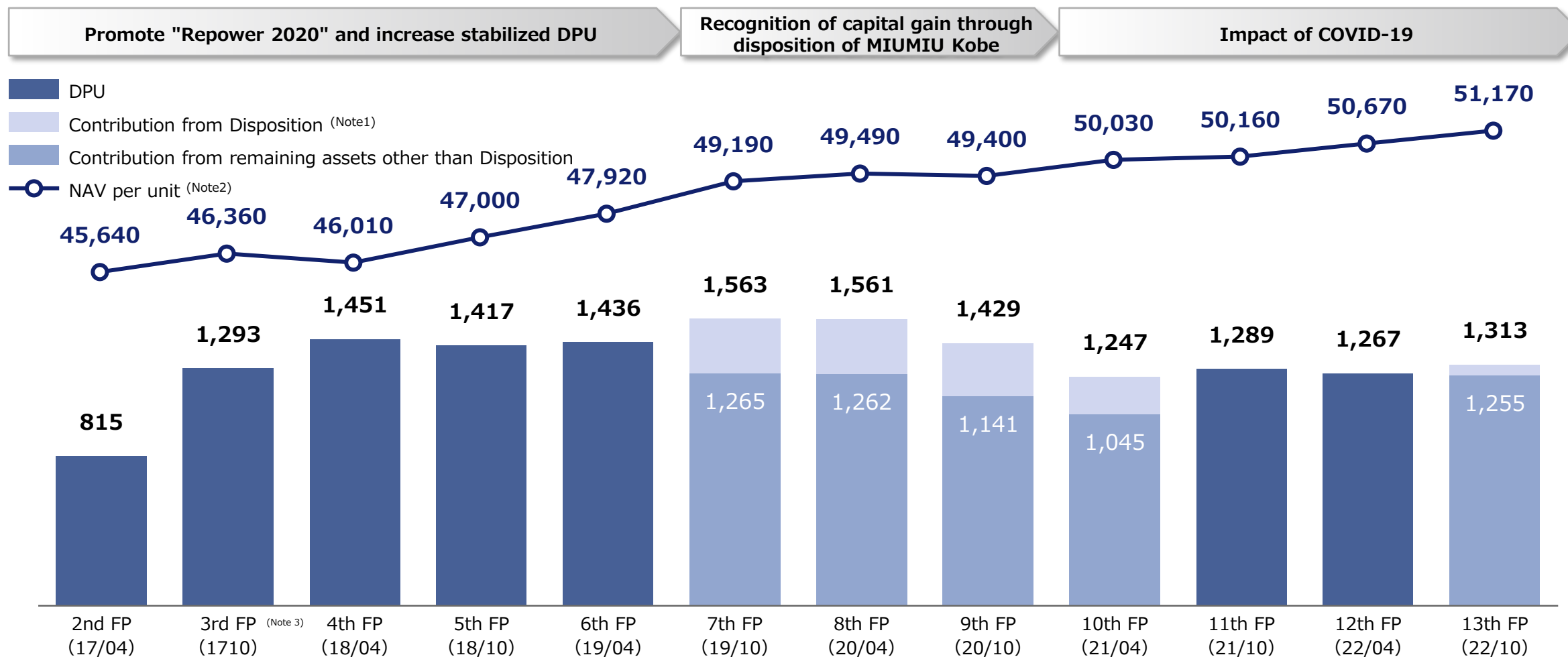
	2 <sup>nd</sup> FP (17/04)	8 <sup>th</sup> FP (20/04)	As of 22/12/15
<b>AUM (billion yen)</b>	15 properties 100.7	34 properties 153.4	37 properties 164.3 <b>+7.1%</b>
<b>NAV per unit</b>	45,640 yen	49,490 yen	51,300 yen (Note1) <b>+3.7%</b>
<b>Portfolio Diversification (based on Acquisition Price)</b>	Hotel 9.7% Retail 21.8% Office 68.6% Core 100.0%	Others 7.8% Hotel 19.0% Retail 17.8% Office 55.4% Core 89.0%	Others 9.5% Hotel 15.8% Retail 21.7% Office 52.9% Core 87.4%
<b>Ave. Appraisal NOI Yield/after Depreciation</b>	4.6%/3.9%	4.9%/4.1%	4.7%/3.9%
<b>LTV</b>	47.0%	48.3%	48.6% (Note2)
<b>Occupancy Rate</b>	98.9%	99.8%	98.1% (Note1)
<b>Major Asset Acquisition</b>	 Shinagawa Seaside Parktower  Shinjuku Eastside Square	 My Square Building  Tokyo Eiseigakuen Senmongakko	 Ehime Building/Hiroshima  Tsurumi Fuga 1

Note 1: The figures for MI Terrace Sendai Hirose-dori are as of the acquisition date, and the figures for other properties are as of the end of October 2022.

Note 2: Total assets are calculated based on figures as of the end of October 2022.

# Historical DPU and NAV per unit

## Overcoming COVID-19 crisis and returning to a growth phase



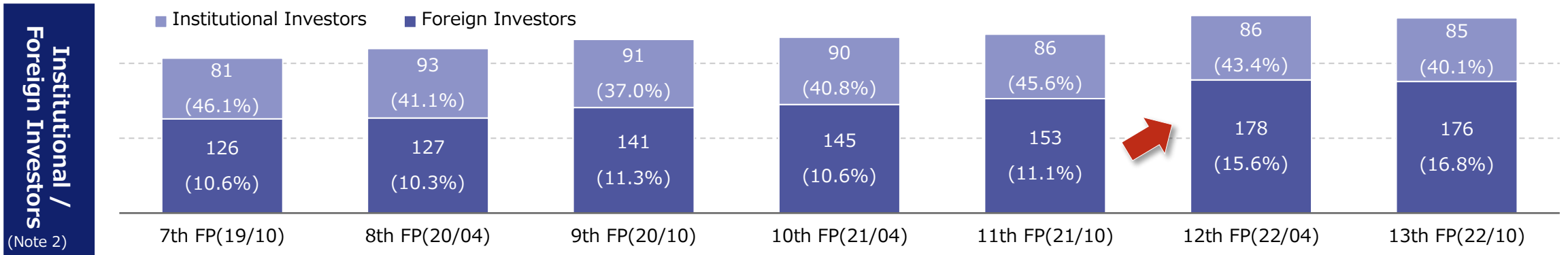
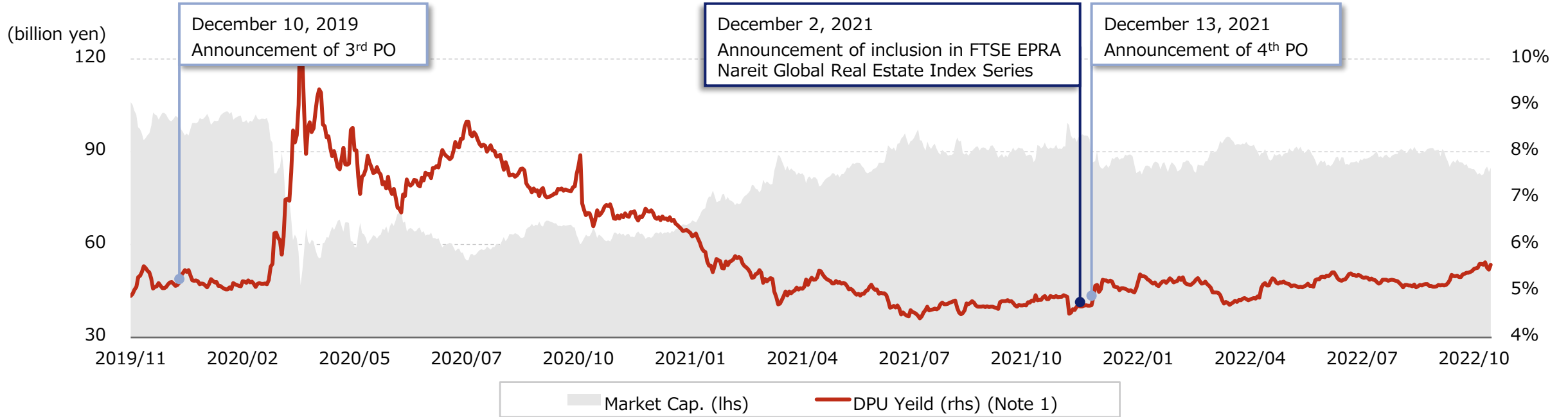
Note 1: Sum of 1) lease business profit of disposed assets during the period, 2) disposition gain as well as tax expense expected regarding disposition gain, 3) expenses for mid-term profitability improvement measure in relations to the asset under management and 4) investment unit issuance cost, are divided by the total number of investment units issued.

Note 2: Per unit numbers are rounded down to nearest 10 yen. MIRAI implemented a four-for-one investment unit split with April 30, 2019 as record date. For the purpose of comparison, the figures after 6th FP are post split figures.

Note 3: Unrealized gain at the end of 3rd FP adds renewal investment of 844 million yen for Mi-Nara on the book value at the end of the FP.

# Trends in Unit Prices

## Ratio of foreign investors increased after inclusion in Global Index in December 2021



Institutional / Foreign Investors (Note 2)




Note 1: DPU yield is calculated by dividing the annualized actual distribution per unit for each fiscal period by the closing price of investment units on each day.

Note 2: The Figures in parentheses indicate the percentage of investment units; the number of investors is only for foreign institutions, while the percentage of investment units is the sum of foreign institutions and foreign individuals.

## Section 3. External Growth Strategy

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# Overview of Asset Replacement (implemented in October/November 2022)

	Disposition		Acquisition
<b>Name</b>	 Comfort Hotel Nagano	 Orico Hakataeki Minami Building	 MI Terrace Sendai Hirose-dori
<b>Asset Type</b>	Hotel	Office	Office
<b>Address</b>	Nagano-shi, Nagano	Fukuoka-shi, Fukuoka	Sendai-shi, Miyagi
<b>Acquisition/Disposition Date</b>	May 31	October 31 (50%) November 30 (50%)	November 1
<b>Acquisition/Disposition Price</b>	670 million yen	2,000 million yen	2,022 million yen
<b>Appraisal Value</b>	588 million yen	1,780 million yen	2,310 million yen
<b>Unrealized Gain</b>	(47) million yen	+52 million yen	+248 million yen
<b>Disposition Gain</b>	0 million yen	225 million yen	-
<b>NOI Yield</b>	5.5%	4.4%	4.9%
<b>NOI Yield after Depreciation</b>	4.0%	3.9%	4.4%
<b>Number of Tenants</b>	1	1	18



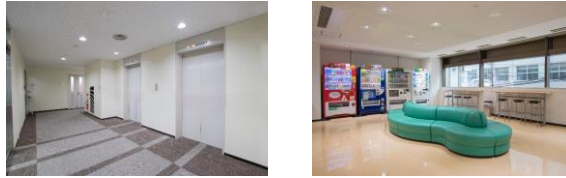
# New Asset

## MI Terrace Sendai Hirose-dori

Office  
(Regional Core City)

Core Asset  
Office

Mid-sized building located in the central office district in Sendai



<b>Address</b>	Aoba-ku, Sendai-shi Miyagi
<b>Land Area</b>	1,120.04 sqm
<b>Gross Floor Area</b>	5,815.38 sqm

<b>Structure</b>	SRC 8F
<b>Occupancy Rate (Number of tenants)</b>	98.4% (18) (Note)
<b>Date of Building</b>	July 1991

Note: As of acquisition date.

**Acquisition Price**

**2,022** million yen

**Appraisal Value**

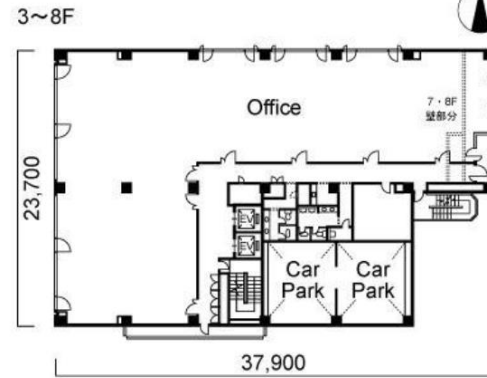
**2,310** million yen

**NOI Yield**

**4.9%**

**NOI Yield after Dep.**

**4.4%**



Standard floor plan



Parking garage (64 cars)

- The property is located five-minutes walk from "Aoba-dori Ichibancho" Station of Sendai Subway Tozai Line and "Hirose-dori" Station of Subway Nanboku Line. "Aoba-dori and Hirose-dori" area is the central office district in Sendai City.
- The property has a ceiling height of 2,550mm, OA floor (H=50mm), and individual air-conditioning, and with a gross floor area of approximately 2,057 tsubo and a standard floor area of approximately 163 tsubo, it is in the volume zone in Sendai City. It is also equipped with a large parking (64 cars) for vehicles used for business activities that are in high demand in regional cities.
- The shape of the rentable area is generally rectangular in shape and can be divided into floors of 30 to 40 tsubo, which is in high demand in Sendai City. Therefore, it is expected to have a certain level of competitiveness as a standard grade mid-sized office in the "Aoba-dori/Hirose-dori" area.



# New Asset

## MI Terrace Sendai Hirose-dori

Office (Regional Core City) Core Asset Office

### Mid-sized building located in the central office district in Sendai

- High tenant retention with **over 80%** of tenants continuing the tenancy for **over 8 years**.
- Mid- to long-term stable rent revenue expected with well **diversified tenant base** both on sector and usage.
- Upside is expected** given current in place average rent of 8,590 yen / tsubo (exclude 1st floor retail space) against market rent of approx. 10,000 to 11,000 yen / tsubo.

### Tenant Composition (Note)

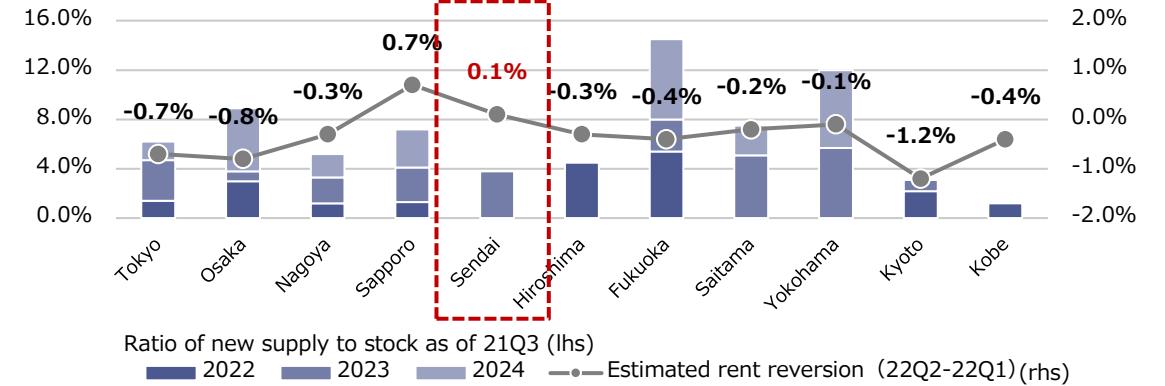
8 <sup>th</sup>	A			
7 <sup>th</sup>	B	C	D	E
6 <sup>th</sup>	F		G	H
5 <sup>th</sup>	I	Vacant	J	
4 <sup>th</sup>	K	L		M
3 <sup>rd</sup>	H (Principal tenant)			N
2 <sup>nd</sup>	O	P	Q	
1 <sup>st</sup>	R (Convenience store)			

**Average Length of Stay (based on rent)**  
**11.3 years**

**Rent Gap (excluding 1<sup>st</sup> floor retail space)**  
**(18.2%)**

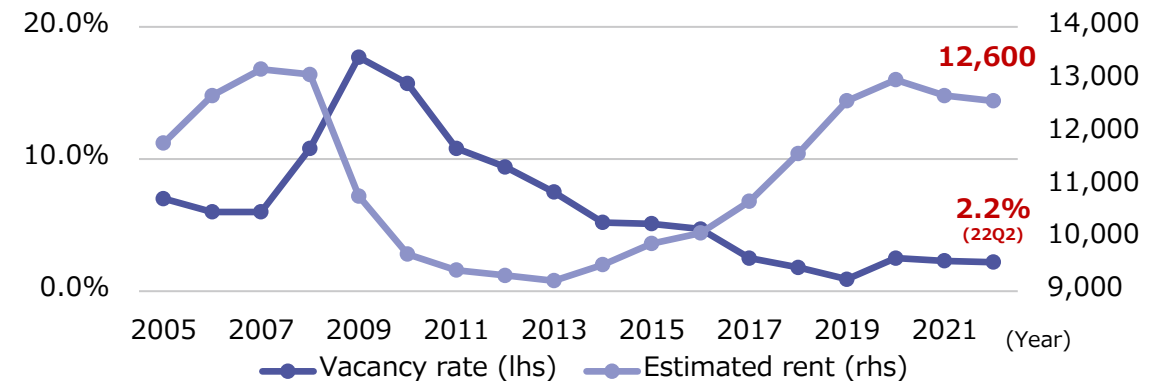
- Low level of new supplies compared to existing space till 2024 among major regional cities.
- Impact of COVID-19 is limited compared to Tokyo. Multiple leasing of over 100 tsubo concluded for expansion needs of call centers, etc. in recent months.
- As central business district in Sendai City, "Aoba-dori and Hirose-dori" area maintains low vacancy and higher contracted rent compared to the average in the city.

### % of new supply against existing space and recent estimated rent reversion



Source: CBRE

### Vacancy rate and estimated rent in "Aoba-dori and Hirose-dori" area



Source: CBRE

Note: This is an image of the usage of each floor based on the leased area of each tenant as of the end of August 2022, and does not accurately represent the actual situation.

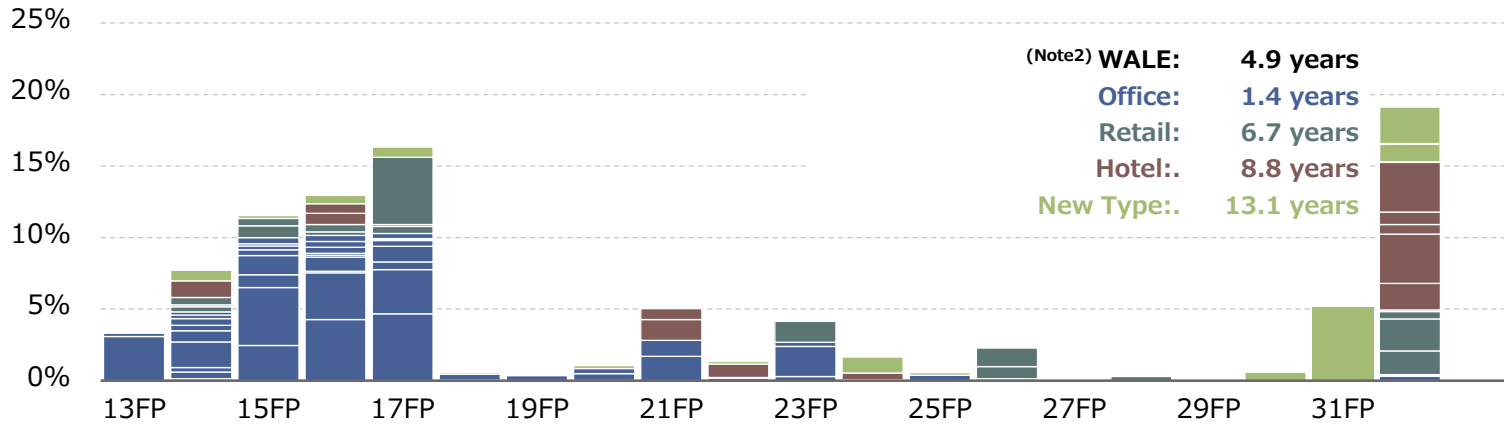


## Section 4. Portfolio Management

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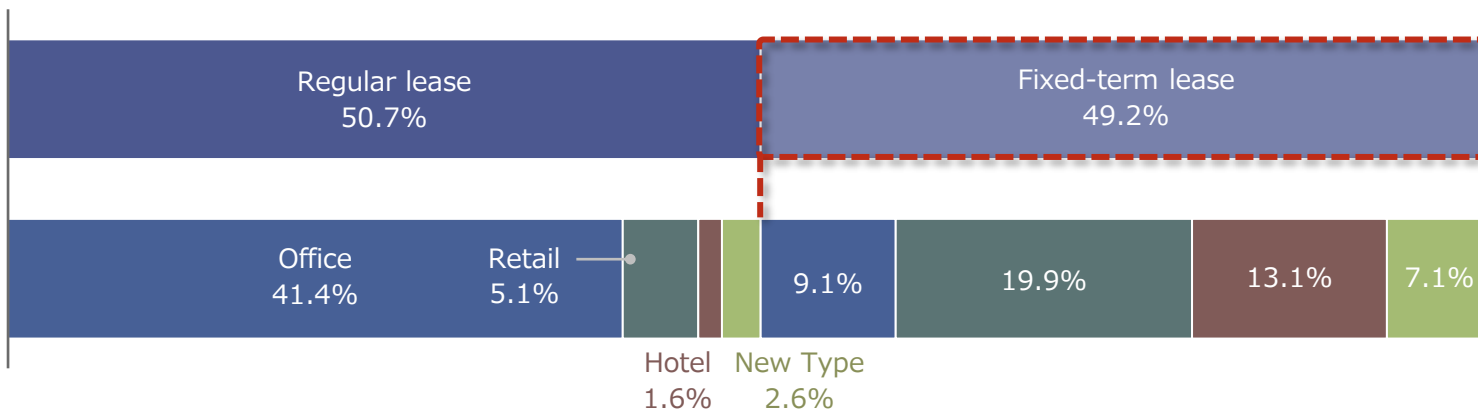
# Tenant Diversification (as of December 15, 2022)

## Diversification of Lease Maturity (based on rent) <sup>(Note1)</sup>



- Continue to be conscious of the ratio of fixed-term lease/leasehold contracts and aim to build a highly defensive portfolio under “Smart Defence” strategy
- Each of the land asset is leased on a fixed-term basis for a period of 10 years or more. Long-term and stable management is expected
- To ensure stability of rent revenue, promote portfolio diversification from broad perspectives such as lease maturity, tenant industry (industry classification), use, etc.

## Breakdown of Lease Contracts Type (based on rent)



As of December 15, 2022	
Weighted Average Lease Expiry	4.9 years
Fixed-term ratio (Remaining 5 years or more)	28.1%

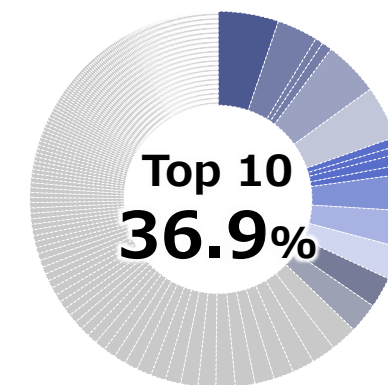
Note 1: “Diversification of Lease Maturity (based on rent)” is calculated by dividing the remaining days of lease contracts in effect at the end of October, 2022 of portfolio assets by 365, weighting by the annual rent, and rounded down to the first decimal place.  
 Note 2: “WALE (Weighted Average Lease Expiry)” is calculated by dividing the remaining days of lease contracts in effect as of the end of 13th FP (MI Terrace Sendai Hirose-dori as of acquisition date) of portfolio assets by 365, weighting by the annual rent, and rounded down to the first decimal place.

# Tenant Diversification (as of the end of 13<sup>th</sup> FP)

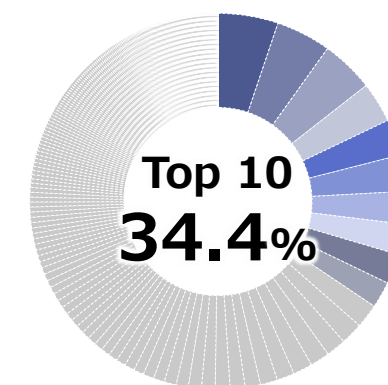
## Top 10 tenants (based on rent)

	Tenant Name	Property	Leased Area	Ratio
1.	HAVI Supply Chain Solutions Japan	Rokko Island DC	15,563 sqm	5.2%
2.	Hospitality Operations	3 Smile Hotels (Naha, Hakata, Nagoya)	15,040 sqm	5.0%
3.	AEON Retail	AEON Kasai	28,338 sqm	-
4.	NTT Comware	Shinagawa Seaside Parktower	7,158 sqm	-
5.	Super Hotel	4 Super Hotels (Sendai, Osaka, Saitama, Kyoto)	10,860 sqm	3.2%
6.	Chubu Telecom	MI Terrace Nagoya Fushimi	6,497 sqm	-
7.	Seiyu	Tsurumi Fuga 1	9,578 sqm	-
8.	BIGLOBE	Shinagawa Seaside Parktower	4,237 sqm	-
9.	Eisei College of Medical Arts & Sciences	Tokyo Eiseigakuen Senmongakko	4,220 sqm	-
10.	Not disclosed (Industry: Telecom)	Kawasaki Tech Center	5,074 sqm	-

## Tenant Diversification

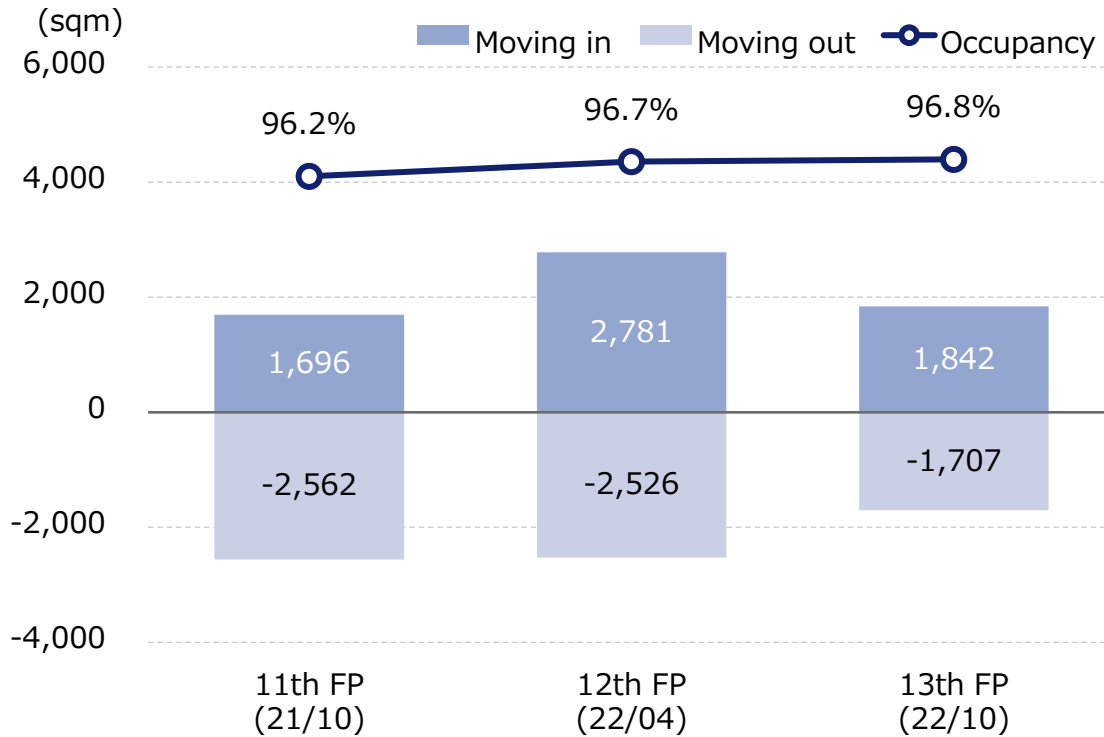


## Lease Contracts Diversification



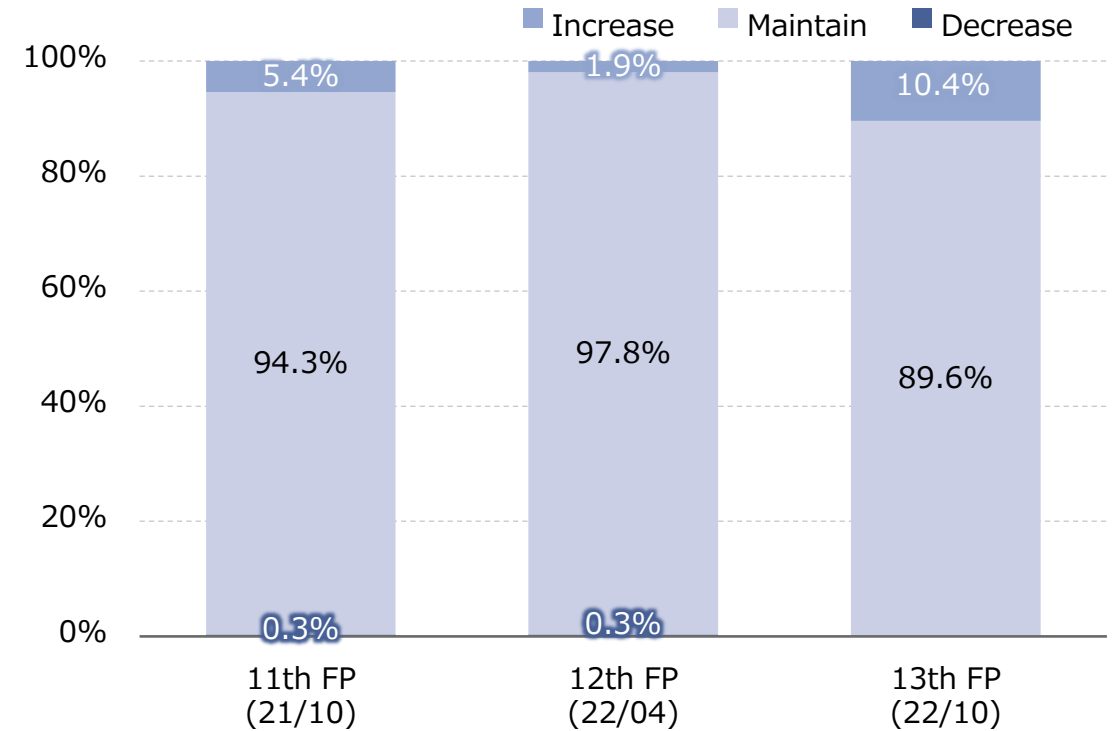
# Tenant Replacements and Contract Renewals (Office)

## Tenant Replacements



<b>Average rent (Moving in)</b>	18,250 yen	19,820 yen	16,220 yen
<b>Average rent (Moving out)</b>	16,880 yen	18,550 yen	17,980 yen
<b>Changes in rent (Note)</b>	(22 million yen)	14 million yen	(1 million yen)

## Contract Renewals (based on leased area)



<b>Contract renewal area</b>	14,555 sqm	14,262 sqm	23,681 sqm
<b>Rent change ratio</b>	+0.1%	+0.2%	+1.7%
<b>Changes in rent (Note)</b>	0 million yen	0 million yen	11 million yen

Note 1: Figures are rounded down to the nearest 10 yen.

Note 2: Increase in monthly rent due to tenant replacement or contract renewal x 6.

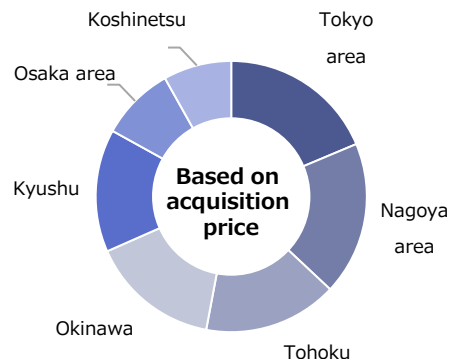
# Hotel Portfolio Update (as of the end of 13<sup>th</sup> FP)

**Fixed-rent assets**  
**9/12**

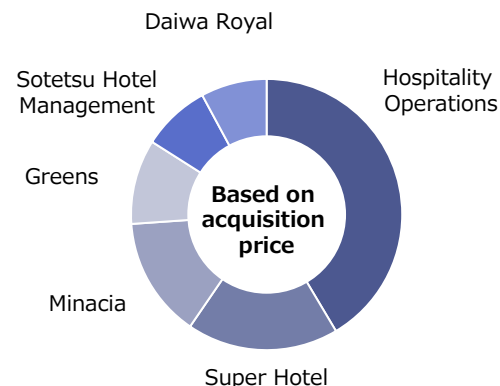
**Number of rooms**  
**1,913**

**WALE**  
**8.9** years

**Area Diversification**



**Operator Group Diversification**

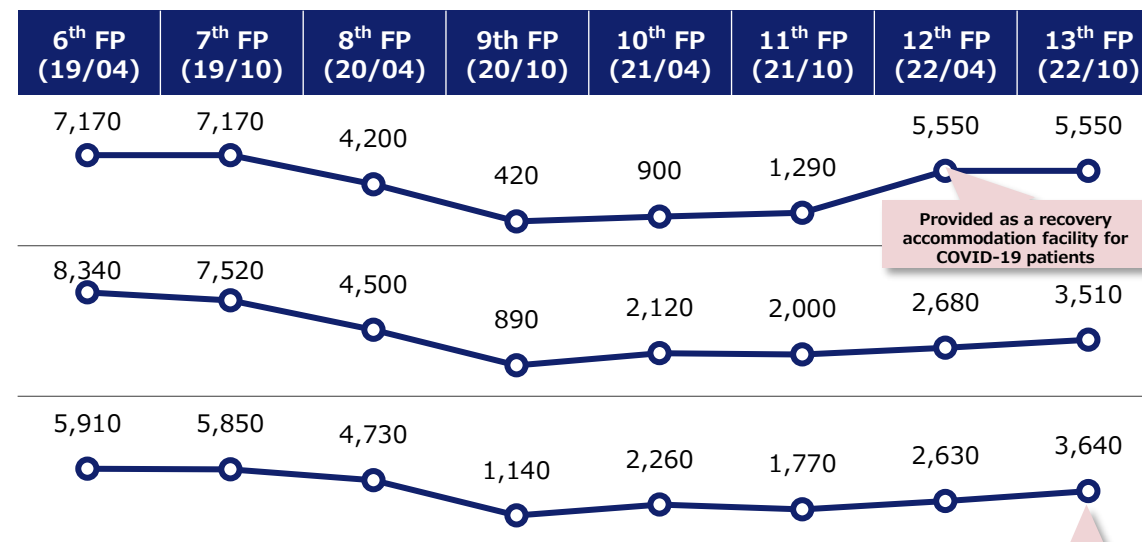


- Hotel assets are **resilient to inflation**, and certain allocation in the portfolio will be maintained, while continuing to hold properties in areas where stable demand can be expected
- 2 of** the fixed rent hotel contracts are to expire within **3 years and 5 contracts expiring within 3-5 years**
- Maintain a cooperative stance with operators while aiming to negotiate to capitalize on market recovery

**Performance of Hotels with Variable Rent (13<sup>th</sup> FP) (Note)**

Property		2022/5 - 2022/7	Compared with 2019	2022/8- 2022/10	Compared with 2019
Naha	ADR	5,540 yen	67%	5,550 yen	60%
	OCC	100%	123%	100%	122%
	RevPAR	5,540 yen	82%	5,550 yen	73%
Hakataeki-Mae	ADR	4,080 yen	46%	4,750 yen	57%
	OCC	79%	89%	80%	93%
	RevPAR	3,210 yen	41%	3,820 yen	53%
Nagoya Sakae	ADR	4,980 yen	81%	5,150 yen	83%
	OCC	68%	73%	76%	78%
	RevPAR	3,370 yen	60%	3,910 yen	65%

**RevPAR Trends (Note)**



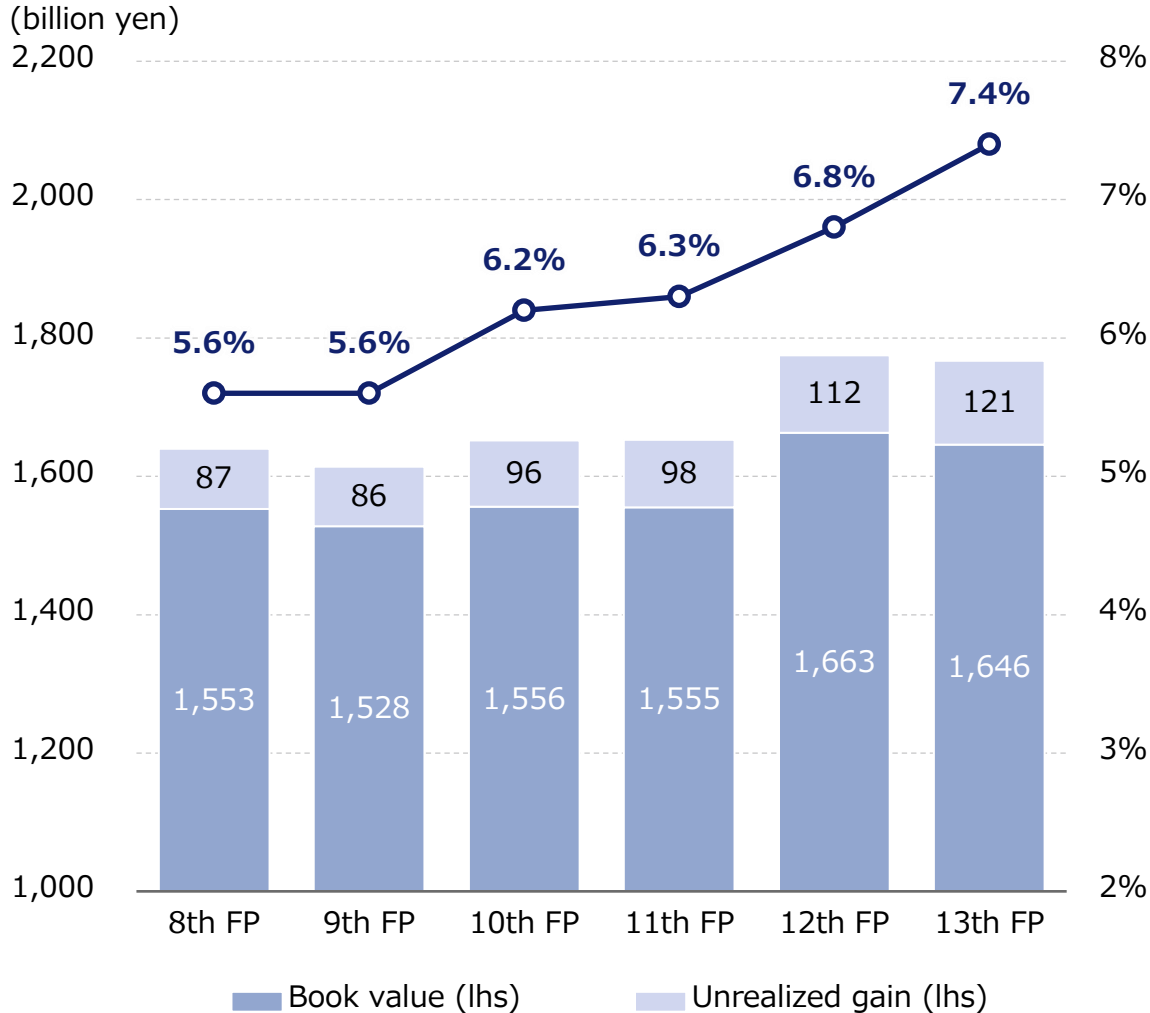
Provided as a recovery accommodation facility for COVID-19 patients

The first Variable rent generated since COVID-19 pandemic

Note: ADR and RevPAR are rounded down to the nearest 10 yen.

# Changes in Appraisal Value

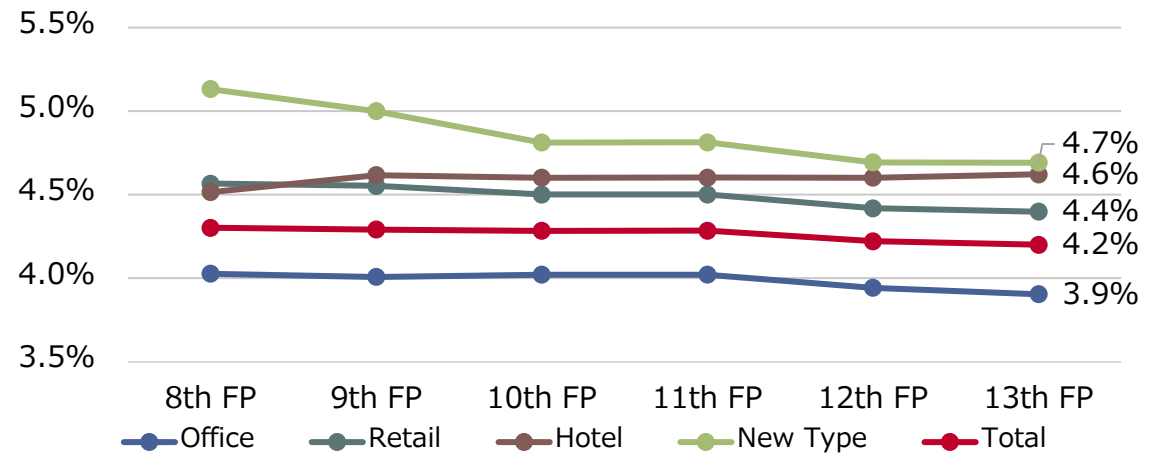
## Appraisal Value / Unrealized Gain



## Changes by Asset Type (properties held continuously)

	End of 12 <sup>th</sup> FP	End of 13 <sup>th</sup> FP	change	
Office	92.5 B yen	92.8 B yen	0.3 B yen	(+0.3%)
Retail	37.8 B yen	38.1 B yen	0.2 B yen	(+0.7%)
Hotel	27.4 B yen	27.5 B yen	0 B yen	(+0.3%)
Others	17.3 B yen	17.3 B yen	0 B yen	(+0.2%)
<b>Total</b>	<b>175.2 B yen</b>	<b>175.9 B yen</b>	<b>0.6 B yen</b>	<b>(+0.4%)</b>

## Cap Rate (direct capitalization method)



## Section 5. Finance & ESG Initiatives

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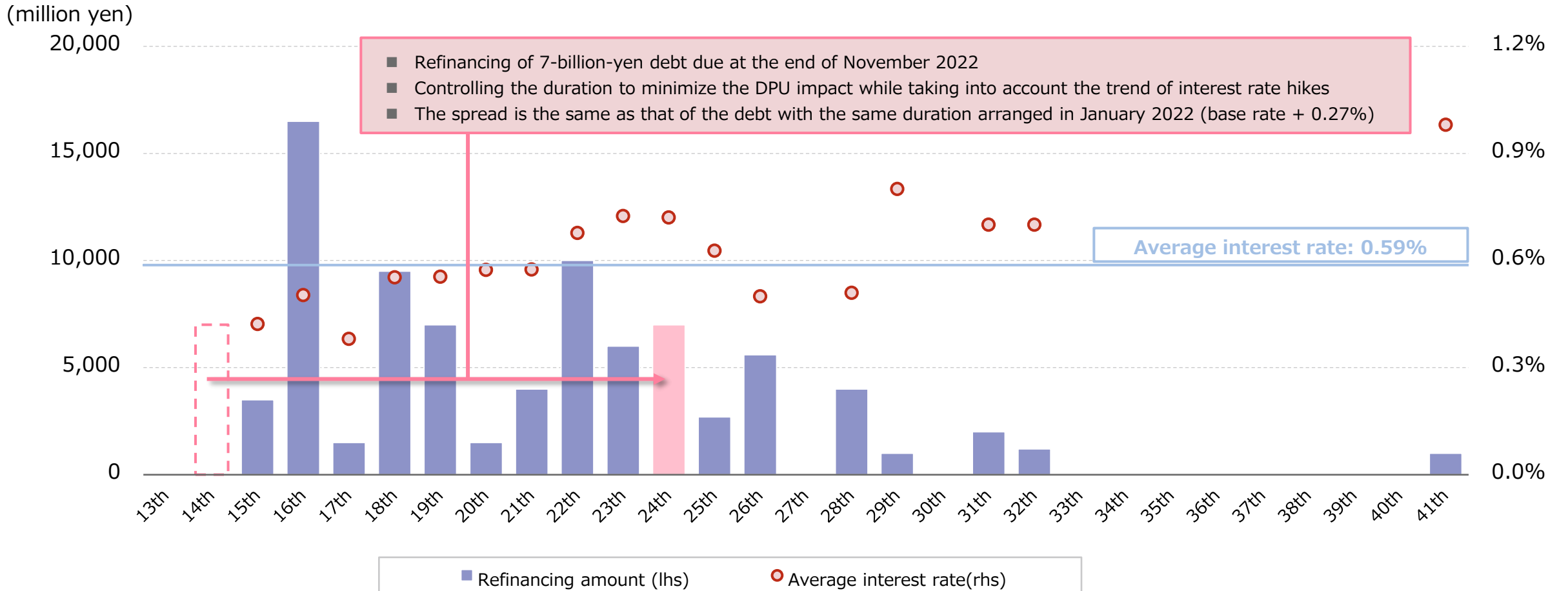




# Financial Activities (2/2)

**All existing debts have long-term fixed rates;  
refinancing with an awareness of the average interest rate**

## Debt Maturity Ladder



# ESG Initiatives (1/4)

## Promote efforts to address materiality while improving and expanding external certification

### Participation in Initiatives/External Certifications, etc.

#### Principles for Financial Action for the 21<sup>st</sup> Century

- The principles of conduct for Japanese Financial Institutions that outline the responsibilities and roles necessary for the formation of a sustainable society
- The Asset Manager signed the Principles in September 2020



#### GRESB Real Estate Assessment

- An annual benchmark assessment that measures environmental, social and governance considerations in the real estate sector
- MIRAI participated in the assessment from 2021 and has earned **3 Star** and **Green Star**



#### DBJ Green Building Certification

- Certification system established by the Development Bank of Japan to support environmentally and socially conscious real estate
- **Reacquired certification for existing properties** in August 2022  
Shinjuku Eastside Square: 4 star  
Rokko Island DC: 3 star



### Materiality and SDGs

- MIRAI and the Asset Manager have identified materiality in order to realize sustainable society as part of our corporate social responsibility

	Materiality (Material issues)	Related SDGs
E	Adaptation to climate change (reduction of GHG emission and energy consumption, utilization of renewable energy etc.)	6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Structuring a portfolio with minimal environmental impact (reduction of water consumption and of waste consumption, acquisition of environmental certification etc.)	13 CLIMATE ACTION
S	Creating a work environment that takes into consideration the health, safety, and well-being of employees	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES, 17 PARTNERSHIPS FOR THE GOALS
	Consideration for tenants' safety and security	
	Support for the promotion of local communities	
G	Strength of governance system and risk management	16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
	Promotion of disclosure	

# ESG Initiatives (2/4) (Environment)

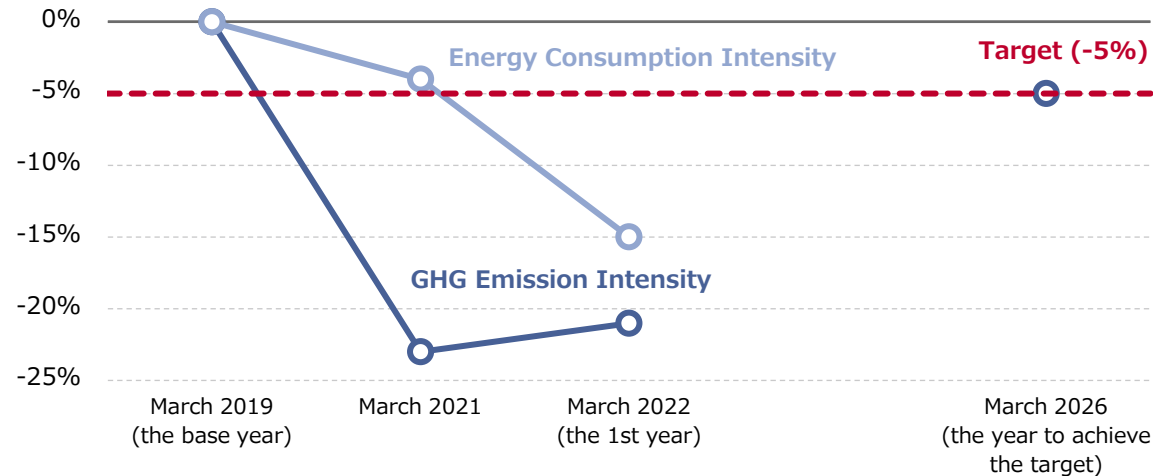
## Environmental Performance Targets

Based on the Basic Sustainability Policy, we have established environmental performance targets in order to appropriately identify and manage the environmental impact of our real estate operations and implement operations that contribute to environmental protection.

- Reduce GHG emission intensity of our portfolio by **5% over the next 5 years**
- Reduce energy consumption intensity of our portfolio by **5% over the next 5 years**

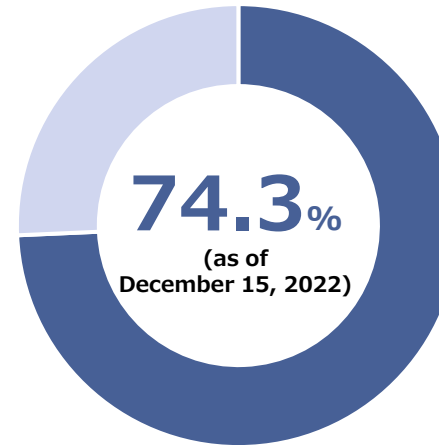
(Note) The target period is from April 2021 to March 2022 as the first year, and from April 2025 to March 2026 as the year to achieve the target. In addition, from April 2018 to March 2019 is the base year.

## Trends in Reduction Rate



Note: Based on total floor area excluding land asset.

## % of Assets with Environmental Certification

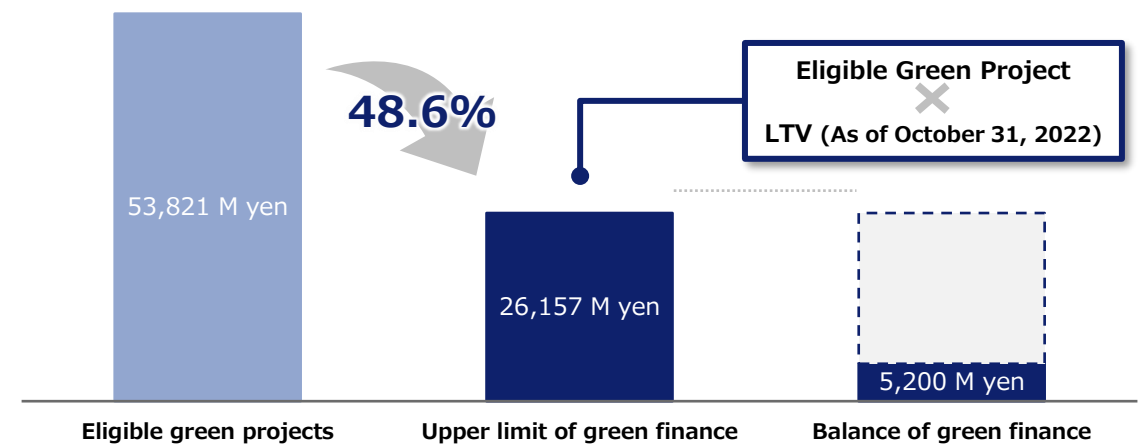


### Certified properties

- Shinjuku Eastside Square
- Shinagawa Seaside Parktower
- Tokyo Front Terrace
- Mi-Nara
- Rokko Island DC
- Kawasaki Tech Center
- MI Terrace Nagoya Fushimi

**Continue to promote acquisition of environmental certification**

## Green Finance (as of October 31, 2022)



# ESG Initiatives (3/4) (Society)

## Contributions to Local Community

### Continue Contributions to Local Community during COVID-19

Promote community support activities by holding events at properties owned and sponsoring local events

Conducting various community support activities, mainly in response to COVID-19, in cooperation with the local government



Cycle & Bus Rides (experimental study)

## Initiatives for Employees

### Promoting an easy-to-work-in environment for employees

Creating an easy-to-work-in work environment for asset management company's employees

Focus on developing a system that enables each employee to fully demonstrate his/her abilities through human resource development by providing training support, etc.



Communication Space

## Initiatives for Tenants

### Implemented efficiency improvement and energy saving measures for common facilities

Installation of efficient facilities and renovation to make the property more comfortable for tenants and users

Events and enhanced ESG-related information disclosure



Private Coworking Space

### Examples



Accommodation for patients with mild cases of COVID-19 and providing facilities as vaccination sites  
(Naha-shi, Okinawa/  
Nara-shi, Nara)

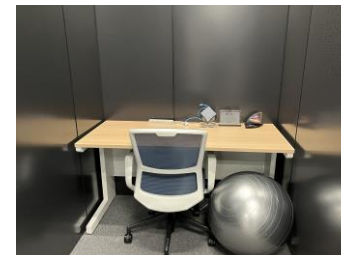


Joint events with local sports teams  
(Nara-shi, Nara)

### Examples



Group's common communication space is expanded due to office floor relocation



Dedicated individual booths installed with increase in web conferencing

### Examples



Renewal of equipment at each property (LED lighting in common areas, etc.)  
(MI Terrace Nagoya Fushimi)



Implemented energy-saving measures with the cooperation of tenants and users  
(Shinjuku Eastside Square)

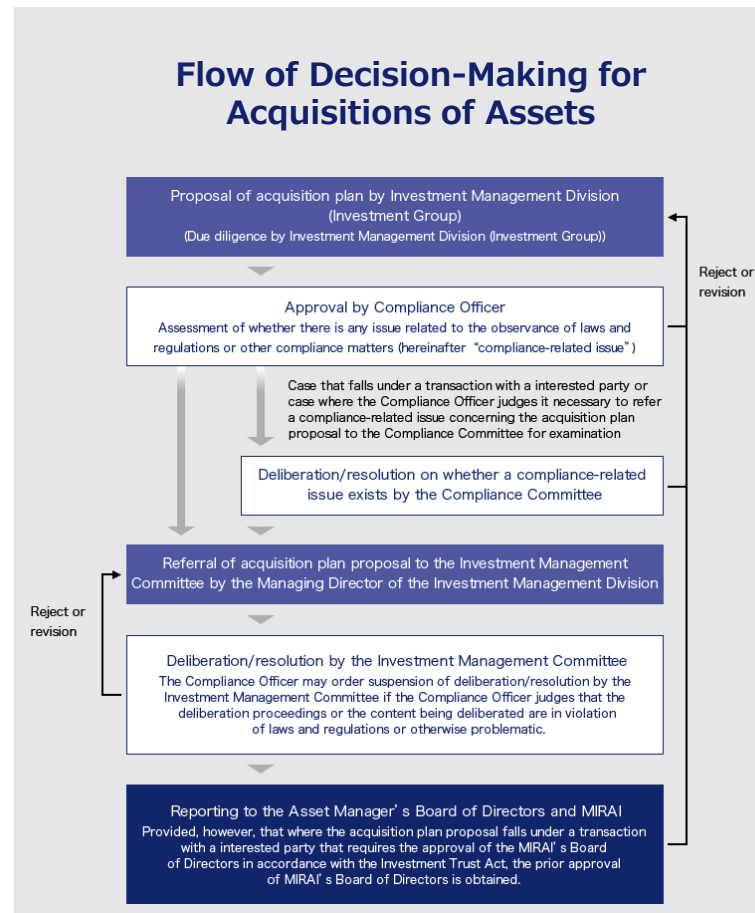
# ESG Initiatives (4/4) (Governance)

## Governance Structure

The system is designed in consideration of unitholders' interests, and a neutral and highly transparent governance system that ensures objectivity is in place by requiring prior examination by the Compliance Officer and deliberation and resolution by the Committee, which requires the attendance and approval of third-party external committee members, in the event of a transaction involving a conflict of interest.

Various rules are established to ensure the compliance with laws and regulations and periodic training for employees are conducted in an effort to raise compliance awareness throughout the company.

ESG initiatives in general are being promoted through company-wide review and discussion centered on the Sustainability Committee.



## Asset Management Fees, etc.

	12 <sup>th</sup> FP	13 <sup>th</sup> FP
AM Fee I (based on AUM)	399 million yen	433 million yen
AM Fee II (based on DPU)	34 million yen	35 million yen
Acquisition Fees	106 million yen	-
Disposition Fees	-	16 million yen
Merger Fees	-	-

	Name	remuneration	% of Attendance (13 <sup>th</sup> FP)
Executive Officer	Michio Suganuma	-	100% (6/6 times)
Supervisory Directors	Takehiko Negishi	3,676 thousand yen	100% (6/6 times)
Supervisory Directors	Hidetomo Nishii		100% (6/6 times)

# Disclaimer

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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