

March 28, 2023

For Immediate Release

Real Estate Investment Trust:

MIRAI Corporation

Michio Suganuma, Executive Director

(Securities Code: 3476)

Asset Management Company:

Mitsui Bussan & IDERA Partners Co., Ltd.

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Notice Concerning Revisions to Forecasts
for the Fiscal Period Ending April 30, 2023 and October 31, 2023

MIRAI Corporation (hereinafter “MIRAI”) announces that it has revised its forecasts for the fiscal period ending April 30, 2023 (the 14th period from November 1, 2022 to April 30, 2023) and October 31, 2023 (the 15th period from May 1, 2023 to October 31, 2023) that were previously published in “(REIT) Financial Report for the Fiscal Period ended October 31, 2022 (The 13th Period)” on December 15, 2022.

1. Details of Revisions

a) Revisions to the forecasts for the fiscal period ending April 30, 2023 (the 14th period from November 1, 2022 to April 30, 2023)

	Operating revenue	Operating profit	Ordinary profit	Net profit	Distributions per unit (including distributions in excess of earnings)	Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
Previous (A)	¥ 5,720m	¥ 2,575m	¥ 2,278m	¥ 2,277m	¥ 1,285	¥ 1,285	-
Revised (B)	¥ 6,304m	¥ 2,702m	¥ 2,403m	¥ 2,357m	¥ 1,285	¥ 1,285	-
Change in amount (B - A)	¥ 583m	¥ 126m	¥ 125m	¥ 80m	-	-	-
Percentage change	10.2%	4.9%	5.5%	3.5%	-	-	-

b) Revisions to forecasts for the fiscal period ending October 31, 2023 (the 15th period from May 1, 2023 to October 31, 2023)

	Operating revenue	Operating profit	Ordinary profit	Net profit	Distributions per unit (including distributions in excess of earnings)	Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
Previous (A)	¥ 5,701m	¥ 2,251m	¥ 1,949m	¥ 1,948m	¥ 1,100	¥ 1,100	-
Revised (B)	¥ 5,786m	¥ 2,329m	¥ 2,021m	¥ 2,020m	¥ 1,140	¥ 1,140	-
Change in amount (B - A)	¥ 84m	¥ 78m	¥ 71m	¥ 71m	40	40	-
Percentage change	1.5%	3.5%	3.7%	3.7%	3.6%	3.6%	-

(Information)

The fiscal period ending April 30, 2023: The estimated number of investment units outstanding as of the end of the period: 1,771,440 units *
Forecasted net profit per unit: 1,331 yen

The fiscal period ending October 31, 2023: The estimated number of investment units outstanding as of the end of the period: 1,771,440 units *
Forecasted net profit per unit: 1,140 yen

* Please refer to the “Total number of investment units issued” shown in the attached “Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2023 and October 31, 2023” for details.

(Note 1) Each forecast is calculated as of today based on the assumptions stated in the attached “Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2023 and October 31, 2023”. Actual operating revenue, operating profit, ordinary profit, net profit and distributions per unit (excluding distributions in excess of earnings) are subject to change due to various factors such as additional acquisition or sale of real estate in the future, changes in the real estate market, the actual number of new investment units to be issued as well as their issuance price, fluctuations of interest rate and any other changes in circumstances surrounding MIRAI. In addition, the forecasts are not a guarantee of any actual financial performances or amount of distributions.

(Note 2) MIRAI may revise the forecasts if a significant deviation is expected.

(Note 3) Figures below each unit are rounded down while percentage figures are rounded to the nearest tenth. There same shall apply hereinafter.

2. Reasons for Revisions

MIRAI announced MIRAI Mid-Term Management Plan in “Presentation Material for 12th Fiscal Period (ended April 30, 2022)” on June 15, 2022, with a completion target of 2025 and has been striving to implement portfolio management that considers “Smart Defense” under uncertain market environment and “Offense with Aligned Interest” following market recovery. Following the disposition announced in the “Notice Concerning Disposition of Real Estate Trust Beneficiaries in Japan (“My Square Building” and “MEGA Don Quijote Izumi-Chuo”)” on March 3, 2023 and the acquisition announced in the “Notice Concerning Acquisition of Real Estate Trust Beneficiary in Japan (“Fiel Johoku”)” on March 13, 2023, MIRAI has decided on a new acquisition (hereinafter the “Acquisition”) as described in “Notice Concerning Acquisition of Real Estate Trust Beneficiaries in Japan (“MI Terrace Kita-Ueno” and “MI Cube Machida East”)” announced today, considering properties of various asset types to achieve the quantitative target of “Smart Defense & Offense with Aligned Interest” and building a portfolio with both stability and growth potential through multiple asset replacements (Note).

(Note) Disposition of “My Square Building” and “MEGA Don Quijote Izumichuo” and Acquisition of “Feel Johoku”, “MI Terrace Kita Ueno” and “MI Cube Machida East” may together be referred to as “Asset Replacement in March 2023”.

As the details of the Asset Replacement in March 2023 have been finalized with the decision of the Acquisition, the assumptions for forecasts of operating results for fiscal period ending April 30, 2023 and October 31, 2023 announced in “(REIT) Financial Report for the Fiscal Period ended October 31, 2023 (The 13th Period)” on December 15, 2022 have now changed as a result of revising the forecast of lease business profit/loss for the portfolio to reflect the effects of the asset replacement, the operating conditions of variable rent hotels, and the forecast of utilities expenses based on energy price trends. Revised forecasts of operating results and DPU for fiscal period ending April 30, 2023 and October 31, 2023 based on the assumption following the revision are hereby announced.

In the fiscal year ending April 30, 2023 (14th period), we expect to record a gain/loss on the disposition of 409 million yen, including the Asset Replacement in March 2023, but MIRAI intend to retain 82 million yen for the purpose of stabilizing DPU in case of a temporary decrease in income or one-time expenses in the future, in addition to implementing repair work, etc. planned in the future ahead of schedule.

Please refer to “Asset Replacement and Revisions to Forecasts -Supplementary Material for the Press Releases Dated March 28, 2023-” announced today for the effect of the Asset Replacement in March 2023 including this Acquisition.

(End)

* URL: <https://3476.jp/en/>

This press release is the English translation of the announcement in Japanese on MIRAI's website. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference press release, etc.)

Dated 3/3/2023 "Notice Concerning Disposition of Real Estate Trust Beneficiaries in Japan ("My Square Building" and "MEGA Don Quijote Izumi-Chuo")"

Dated 3/13/2023 "Notice Concerning Acquisition of Real Estate Trust Beneficiary in Japan ("Fiel Johoku")"

Dated 3/28/2023 "Notice Concerning Acquisition of Real Estate Trust Beneficiary in Japan ("MI Terrace Kita-Ueno" and "MI Cube Machida East")"

Dated 3/28/2023 "Notice Concerning Borrowing of Funds"

Dated 3/28/2022 "Asset Replacement and Revisions to Forecasts -Supplementary Material for the Press Releases Dated March 28, 2023-"

<Attached materials>

(Attachment)

Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2023 and October 31, 2023

Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2023 and October 31, 2023

Items	Assumptions
Calculation period	<ul style="list-style-type: none"> The Fiscal Period Ending April 30, 2023: from November 1, 2022 to April 30, 2023 (181 days) The Fiscal Period Ending October 31, 2023: from May 1, 2023 to October 31, 2023 (184 days)
Portfolio assets	<ul style="list-style-type: none"> In addition to the real estate and real estate trust beneficiaries that MIRAI owns (total 35, hereinafter the “Portfolio Assets”), it assumes that MIRAI will acquire “MI Terrace Kita-Ueno” and “MI Cube Machida East” on March 30, 2023 and “Fiel Johoku” on March 31, 2023 (hereinafter the “Assets to be Acquired”). For details of the Acquisition, please refer to “Notice Concerning Acquisition of Real Estate Trust Beneficiaries in Japan (“MI Terrace Kita-Ueno” and “MI Cube Machida East”)” announced today and “Notice Concerning Acquisition of Real Estate Trust Beneficiary in Japan (“Fiel Johoku”)” on March 13, 2023. It assumes that there is no movement of the “Portfolio Assets” (acquisition of new assets and/or dispositions of assets) other than the above “Assets to be Acquired”. Changes may occur in reality due to changes in the “Portfolio Assets”.
Total number of investment units issued	<ul style="list-style-type: none"> It is assumed that total number of investment units outstanding is 1,771,440 units. Other than described above, no changes in the number of investment units due to any issuances of new units are assumed until October 31, 2023.
Interest-bearing debt	<ul style="list-style-type: none"> Of the interest-bearing debt of 84,000 million yen as of today, MIRAI assumes that the current portion of long-term debt of 3,500 million yen that will mature during the fiscal period ending October 31, 2023 is refinanced into long-term debt. It is assumed that 1,500 million yen in short-term debt will be borrowed on March 31, 2023 to fund the acquisition of the Assets to be Acquired. For details, please refer to Reference “Notice Concerning Borrowing of Funds” announced today. The interest-bearing debt outstanding as of April 30, 2023 and October 31, 2023 is expected to be 85,500 million yen. The LTV (based on total assets) as of April 30, 2023 and October 31, 2023 is expected to be approximately 49%. The calculation of the LTV (based on total assets) uses the following formula. $\text{LTV (based on total assets) (\%)} = \frac{\text{total amount of interest-bearing debt outstanding}}{\text{total assets}}$
Operating revenue	<ul style="list-style-type: none"> Lease business revenue from the “Portfolio Assets” is calculated primarily by taking into account leasing contracts effective as of today, trends in the real estate leasing market (vacancy rates, rent levels, etc.) and status of negotiation with tenants. Revenue from the lease of the Acquisition is calculated primarily by taking into account information on trends in lease contracts provided by the previous owner, etc., leasing contracts to be effective as of the scheduled date of the Acquisition, and trends in the real estate leasing market (vacancy rates, rent levels, etc.). MIRAI today disposed of “My Square Building”. Together with “Orico Hakataeki Minami Building (50% quasi co-ownership) which is already disposed of, MIRAI expects to receive 620 million yen for the fiscal period ending April 30, 2023 in gain on sales of real estate properties (disposition gain). Variable rent generated from the hotels with variable rent (“Smile Hotel Naha City Resort”, “Smile Hotel Hakataeki-Mae” and “Smile Hotel Nagoya-Sakae”) are estimated to be 120 million yen for the fiscal period ending April 30, 2023, and 83 million yen for the fiscal period ending October 31, 2023, including the period during which “Smile Hotel Naha City Resort” is provided as a recovery accommodation facility for patients with minor illnesses of COVID-19 (contract period: October 11, 2021 to May 31, 2023 (scheduled)).
Operating expenses	<ul style="list-style-type: none"> Expenses for the lease business other than depreciation are based on past records and information provided by the previous owners, etc. while reflecting other variable factors into consideration. In principle, the fixed asset tax, city planning tax, and depreciation asset tax (the “Fixed Asset and City Planning Taxes”) of “Assets to be Acquired” during a fiscal year will be settled on the acquisition date with previous owners in proportion to holding period for the assets. Such costs are to be capitalized without having any impact to profit and/or loss in the fiscal period of the acquisition. 22 million yen of Fixed Asset and City Planning Taxes on the Asset to be Acquired in total are to be capitalized. Total repair expenses for buildings are calculated based on the repair plans developed by Mitsui Bussan & IDERA Partners Co., Ltd., the asset manager of MIRAI and takes into account the engineering reports and appraisal reports, and are accrued in each fiscal period. It should be noted, however, that the actual repair expenses in each fiscal period may differ considerably from the estimates, mainly due to urgent repair expenses for any damages of assets arising from unexpected factors, significant yearly fluctuations in the amount of repair expenses and the nature of repair expenses whereby they do not arise on a regular basis. Depreciation including incidental expenses is calculated using the straight-line method.

Items	Assumptions																					
	<ul style="list-style-type: none"> The breakdown of expenses for the lease business is as follows. <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Fiscal Period Ending April 30, 2023</th> <th style="text-align: center;">Fiscal Period Ending October 31, 2023</th> </tr> </thead> <tbody> <tr> <td>Outsourcing services:</td> <td style="text-align: right;">392 million yen</td> <td style="text-align: right;">392 million yen</td> </tr> <tr> <td>Utilities:</td> <td style="text-align: right;">701 million yen</td> <td style="text-align: right;">917 million yen</td> </tr> <tr> <td>Taxes and dues:</td> <td style="text-align: right;">437 million yen</td> <td style="text-align: right;">450 million yen</td> </tr> <tr> <td>Repair expenses:</td> <td style="text-align: right;">281 million yen</td> <td style="text-align: right;">99 million yen</td> </tr> <tr> <td>Other expenses for lease business:</td> <td style="text-align: right;">297 million yen</td> <td style="text-align: right;">319 million yen</td> </tr> <tr> <td>Depreciation:</td> <td style="text-align: right;">681 million yen</td> <td style="text-align: right;">707 million yen</td> </tr> </tbody> </table> Other operating expenses (asset management fees, administrative servicing fees, etc.) are estimated to be 598 million yen for the fiscal period ending April 30, 2023, and 569 million yen for the fiscal period ending October 31, 2023. MIRAI today disposed of “MEGA Don Quijote Izumi-Chuo”. It expects to record 211 million yen for the fiscal period ending April 30, 2023 in loss on sales of real estate properties (disposition loss). 		Fiscal Period Ending April 30, 2023	Fiscal Period Ending October 31, 2023	Outsourcing services:	392 million yen	392 million yen	Utilities:	701 million yen	917 million yen	Taxes and dues:	437 million yen	450 million yen	Repair expenses:	281 million yen	99 million yen	Other expenses for lease business:	297 million yen	319 million yen	Depreciation:	681 million yen	707 million yen
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Non-operating expenses	<ul style="list-style-type: none"> Interest expenses and borrowing-related expenses are estimated to be 299 million yen for the fiscal period ending April 30, 2023, and 308 million yen for the fiscal period ending October 31, 2023. 																					
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> Distributions per unit (excluding distributions in excess of earnings) are calculated based on the cash distribution policy described in the Articles of Incorporation of MIRAI. In the fiscal period ending April 30, 2023, it is expected that 82 million yen of a portion of the gain on sales of real estate properties will be retained internally under the assumption that the conduit requirement under the tax law is satisfied. The actual amount of such retained earnings may change. The amount of distributions per unit (excluding distributions in excess of earnings) may fluctuate due to various factors such as acquisitions and sales of assets, changes in rent income caused by tenant relocations, unexpected repairs incurred, and interest rate fluctuations. Derivatives transactions (interest rate swaps transaction) will be continuously in place during the fiscal periods ending April 30, 2023 and October 31, 2023. It is estimated that deferred losses on hedges as deduction from net assets (as specified in Item 30-B, Clause 2, Article 2 of the Calculation Rules for Investment Corporations) is not incurred. It is calculated based on the assumption that there is no change in the market value of interest rate swaps. 																					
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> As described above, no deferred losses on hedges as deduction from net assets is assumed in the fiscal periods ending April 30, 2023 and October 31, 2023, and distributions in excess of earnings related to the allowance for temporary difference adjustment are not scheduled at present. Distributions in excess of earnings by decreasing unitholders' capital under taxation are not scheduled at present. 																					
Others	<ul style="list-style-type: none"> Excluding above, it is assumed that impact of spread of COVID-19 will not be significantly wider than current estimate and that the pandemic will not last much longer. In reality, potential for the impact of spread of COVID-19 continuing to expand and becoming prolonged cannot be ruled out. The forecasts assume that no revisions that may impact the above projections will be made to laws and regulations, taxation, accounting standards, listing rules, the rules of the Investment Trust Association, Japan, or others. The forecasts assume no unforeseeable significant changes in the general economic trends and real estate market conditions. 																					