



# NEWS RELEASE

Apr 12, 2019

## R&I Affirms A, Stable: Mirai Corp.

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Mirai Corp.  
**Issuer Rating:** A, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Mirai Corp. is a diversified real estate investment trust that was listed in 2016 and invests mainly in the three major metropolitan areas of Japan. The REIT is sponsored by Mitsui & Co. Asset Management Holdings Ltd. and Idera Capital Management Ltd.

Assets in the Tokyo area occupy 59% of the current portfolio. The breakdown by property type shows that office, hotel, retail and industrial properties account for 55%, 20%, 19% and 6%, respectively, of the total. Mirai intends to maintain a portfolio that invests primarily in offices and to some extent in hotels, retail properties, etc.

Offices consist mainly of relatively large-scale properties. With strong competitiveness in their respective locations, the occupancy rate of offices is kept high. Earnings from hotels, which are budget-type, limited service hotels located in the major cities of Japan, are stable thanks to long-term lease agreements with operators. Although some suburban retail facilities are being affected by the harsh management environment, the impact on overall earnings is limited.

Mirai has acquired properties by utilizing the pipelines of its two sponsors. The asset size has expanded to 145 billion yen, and the diversification of the portfolio has improved to a certain degree. The REIT aims to increase the asset size to 200 billion yen by 2020 through continued property acquisitions with consideration to profitability.

Newly acquired Rokko Island DC is an industrial facility developed by a sponsor. This first "new type asset" for Mirai with an appraisal NOI yield of as high as 5.5% is anticipated to generate steady earnings under a long-term lease agreement.

Mirai has controlled leverage at a certain level through two public offerings in 2018. Its leverage level is somewhat high, however, if the latest LTV ratio of 48.8% and small unrealized gains are taken into account. The REIT aims to lower the ratio to 45% in the near future.

The funding base is robust, supported by the creditworthiness of its sponsor, the Mitsui & Co. Group. Mirai has been able to borrow long-term fixed-rate loans from major domestic financial institutions at comparatively low costs. The average remaining term to maturity of its debts is very long at 5.8 years (as of December 2018), with the earliest repayment date in 2021.

The Rating Outlook is Stable. Large-scale offices in the Tokyo area, the core of the portfolio, are expected to show solid performance for the foreseeable future, and earnings from other type properties, such as retail properties and hotels, are broadly stable. R&I will keep an eye on developments in the REIT's efforts to improve the quality and diversification of the portfolio through external growth.

The primary rating methodology applied to this rating is provided at "Rating Methodology for J-REIT". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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**R&I RATINGS:****ISSUER:****Mirai Corp. (Sec. Code: 3476)****Issuer Rating****RATING:****A, Affirmed****RATING OUTLOOK:****Stable**

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