

# Progress of Mid-term Management Plan

- Supplementary Material for the Press Release Dated October 23 and November 1, 2017 -

MIRAI Corporation



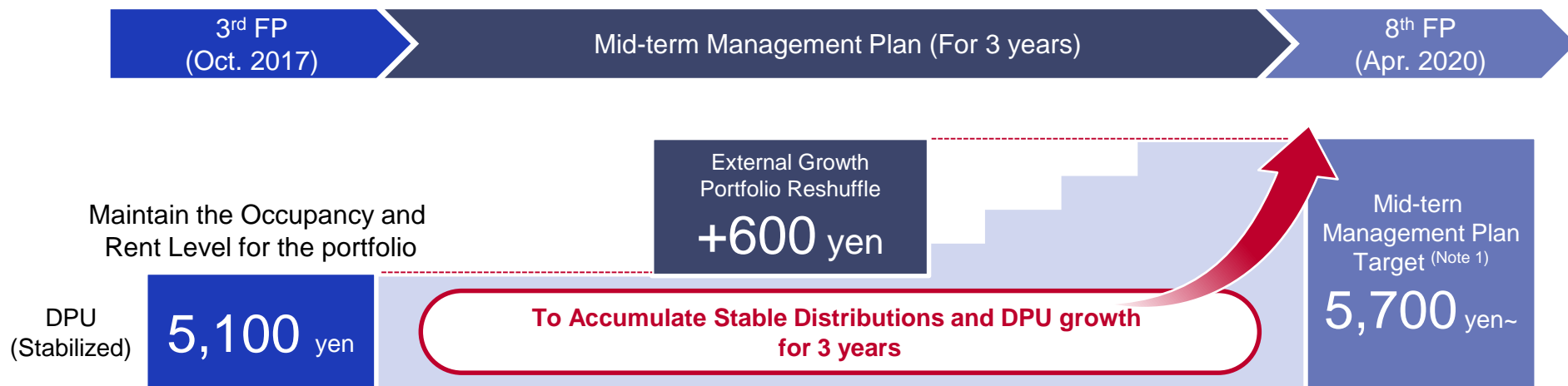
Security code: 3476

Asset Manager: Mitsui & IDERA Partners Co., Ltd.

<http://3476.jp/en>

# Mid-term Management Plan “Repower 2020” (announced on June 14, 2017)

Sustainable growth of DPU and Recovery/Improvement of Unitholders' Value



NOI Yield after Depreciation	Portfolio Diversification	LTV
<p>4.0%~ (target)</p> <hr/> <p>3.9% 3rd &amp; 4th FPs (Note 2) (forecast)</p>	<p>Top 3 Assets</p> <p>Up to 40% (target)</p> <hr/> <p>64.9% 2nd FP (actual)</p>	<p>Up to 50% (target)</p> <hr/> <p>46.0% 3rd &amp; 4th FPs (Note 2) (forecast)</p>

Note 1: The target is calculated under certain conditions on June 14, 2017. This does not guarantee the amount of future distributions. For the assumptions, refer to the " (REIT) Financial Report for the Fiscal Period ended April 30, 2017 " announced on June 14, 2017.

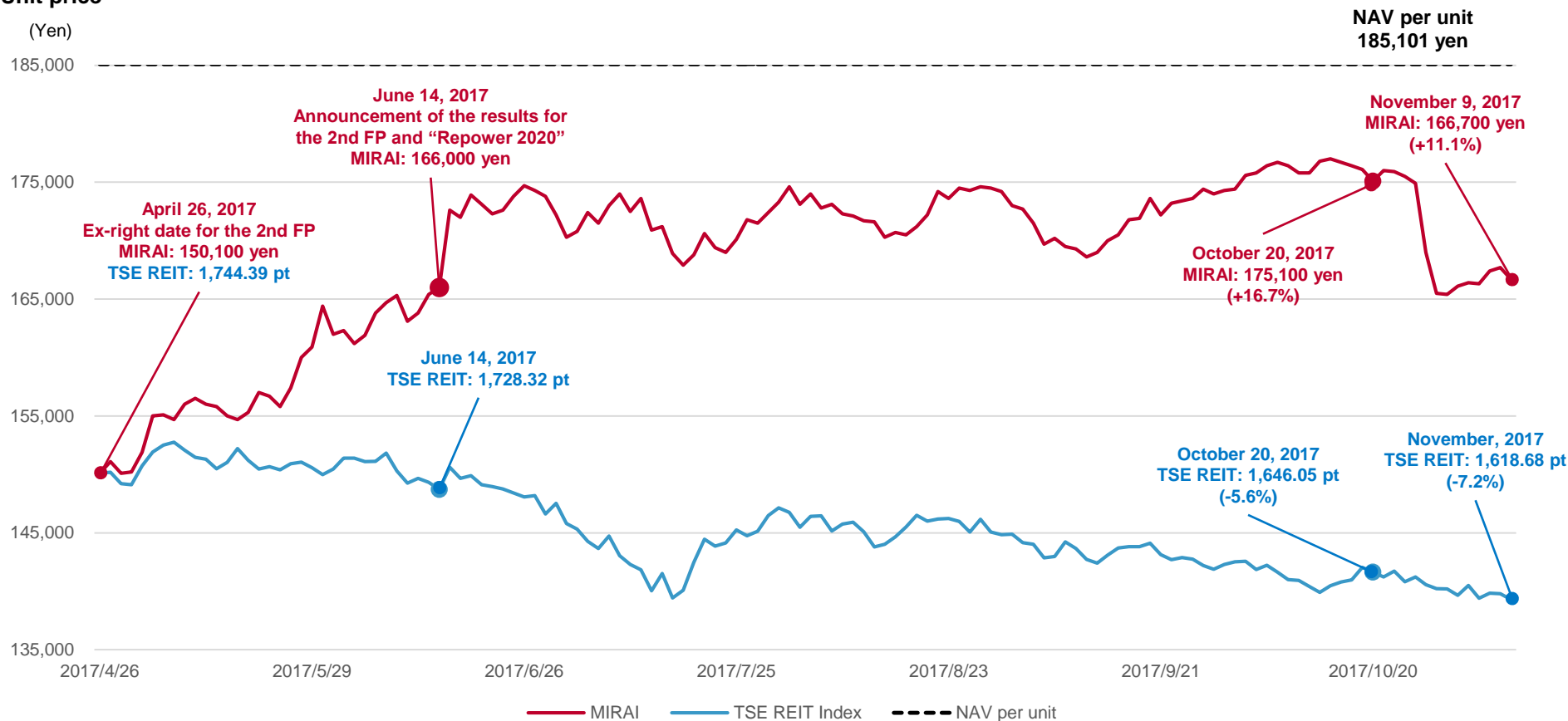
Note 2: The forecasts are calculated under certain conditions on June 14, 2017. They may vary due to various factors such as a change in rent income due to changes of tenants, the sale and purchase of properties and the additional issue of investment equities.

# Performance under the results for the 2nd FP and “Repower 2020”

The unit price of MIRAI increased after the announcement of the results for the 2nd FP and “Repower 2020”, while the TSE REIT index was stagnant.

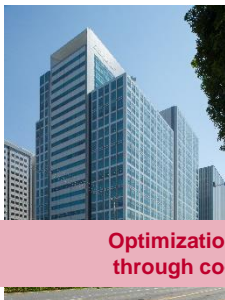
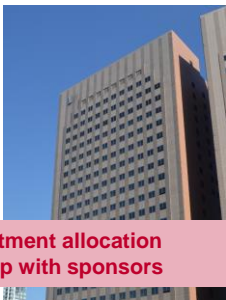



We perceive that the actions for the portfolio diversification and the increase of profitability are recognized to a certain extent.

## Unit price



# Acquisition and partial disposition of assets (announced on October 23 and November 1, 2017)

Through the acquisition and partial disposition of the following assets (hereinafter referred to as “Strategy of Links” (Note 1)), the portfolio diversification and the increase of profitability under “Repower 2020” shall be promoted concurrently.

Purposes	Promotion of portfolio diversification			Increase of profitability	
Specific actions	Partial disposition (36.6%)	Acquisition of a large-sized office (50.2%) and a mid-sized office		Acquisition of Growth Assets	Additional acquisition
					
Sponsors' collaboration	Optimization of investment allocation through co-ownership with sponsors				
Property name	Shinagawa Seaside Park Tower (36.6% quasi-co-ownership (Note 2))	Tokyo Front Terrace (50.2% quasi-co-ownership)	Nippo Honmachi Building	Nara Heijo Plaza	MIUMIU Kobe (building)
Location	Shinagawa, Tokyo	Shinagawa, Tokyo	Osaka, Osaka	Nara, Nara	Kobe, Hyogo
Date of disposition /acquisition	The end of February 2018 or the date separately agreed on	October 26, 2017	The date separately agreed on that comes before the end of February 2018	October 26, 2017	November 9, 2017
Price for disposition/acquisition	12,004 million yen	10,592 million yen	1,465 million yen	4,100 million yen (Note 3)	400 million yen (6,700 million yen (Note 4))
Appraisal value	11,895 million yen	10,793 million yen	1,530 million yen	5,520 million yen	7,340 million yen (Note 4)
Appraisal NOI yield	4.3%	4.1%	5.4%	8.9% (Note 3)	4.7% (Note 4)
NOI yield after depreciation	3.5%	3.7%	4.8%	7.1% (Note 3)	4.5% (Note 4)

Note 1: “Strategy of Links” refers to the strategy to aim for a significant effect by successively using multiple measures like links of circles of chains, which is one of the strategies described in the Chinese book about military strategy titled “Thirty-Six Stratagems.” The said term is used to refer collectively to these initiatives.

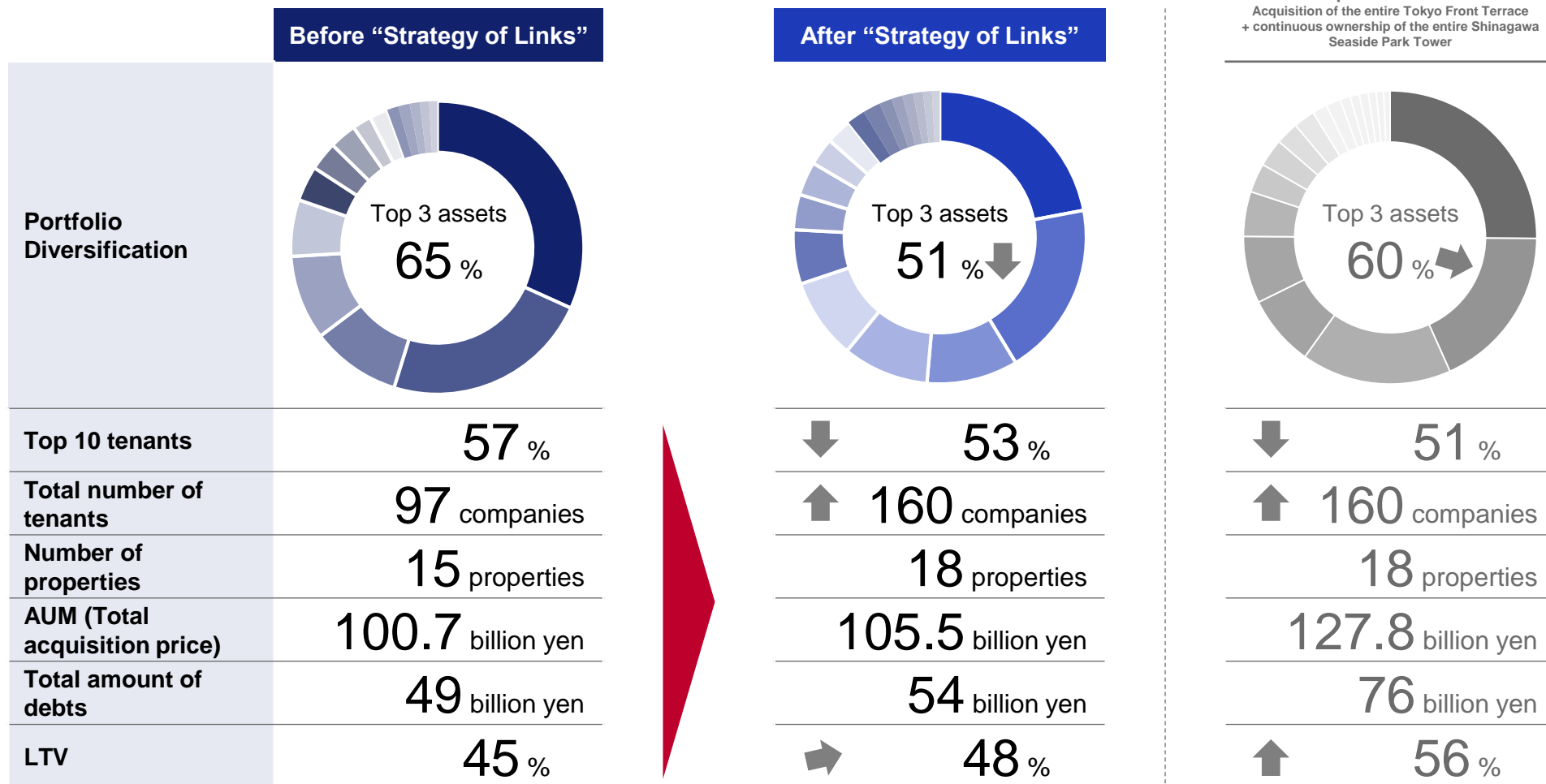
Note 2: MIRAI owns the entire Shinagawa Seaside Park Tower and accordingly, after the disposition of the assets to be disposed (quasi-co-ownership of 36.6%), will hold quasi-co-ownership of 63.4% of the said property.

Note 3: The price for the acquisition of this property is 4,100 million yen. After its acquisition by MIRAI, an additional investment for the renewal of facilities is planned. The total investment amount including the said additional investment is estimated at 5,050 million yen. Based on the initial acquisition cost, the appraisal NOI yield is 11.0% and the NOI yield after amortization is 8.7%.

Note 4: MIRAI acquired MIUMIU Kobe (land) as of December 16, 2016, the sum of the acquisition price of the land and the building is 6,700 million yen.

# Promotion of portfolio diversification ~ compensation for weakness with the capability of management ~

To efficiently promote the portfolio diversification, we have selected the strategic measures for the partial replacement of large-sized properties and the co-ownership with sponsors.



Note: With loans of 27.0 billion yen, the entire Tokyo Front Terrace (100%) at the price of 21.1 billion yen as well as the Nippo Honmachi Building, Nara Heijo Plaza and MIUMIU Kobe (building) shall be acquired, and the entire Shinagawa Seaside Park Tower shall be continuously owned.

To increase the profitability of the portfolio, we have just launched into investment in Growth Asset (Core-plus Asset) to pursue the possibility of upside with risk control.

## Nara Heijo Plaza



- Sourcing with the support of Mitsui & Co., Ltd.
- Tourism-oriented retail property to be renewed and reopened in April 2018
- To increase the profitability of the portfolio, MIRAI acquires Growth Asset that substantially exceed the profitability of the existing portfolios
- Engagement in the project of revitalization at an early stage enabled to acquire the property with advantageous conditions
- To secure a reservation of lease contracts with end tenants to a certain level to control the utilization risk
- Even though including variable rents, to decrease downside risk through the rent guarantee agreement for five years with the PM/ML company
- Pursuit of synergy effects for community-type business and tourism

Scenario	Based on minimum rent guaranteed	Based on appraisal report	Upside
Rent revenue	0.8 billion yen	0.9 billion yen	1.0 billion yen
NOI	0.3 billion yen	0.4 billion yen	0.5 billion yen
NOI yield	6.5%	8.9%	11.3%
DPU impact	5,400yen +300yen	5,600yen +500yen	5,800yen +700yen

DPU (stabilized) : 5,100 yen

## Assumptions

- Minimum rent guaranteed: rent guarantee by the PM/ML company  
(For 5 years since renewal and reopening/monthly amount of 70 million yen)  
Appraisal report: appraisal rent based on the latest leasing situation  
Upside: monthly amount of 90 million yen
- NOI yield is calculated by using the total investment amount (5,050 million yen) with the additional investment for the renewal of facilities to the acquisition price
- DPU impact is calculated by dividing by the number of issued investment units (293,750 units) by the net profit obtained by deducting the costs for the lease business, depreciation, interest, etc. from the annual rent revenue.
- The information described above is for reference based on certain assumptions. It does not necessarily match the actual distributions paid or the earnings forecasts to be announced in future. It does not predict or guarantee future results or distribution level.

## (Reference) Initiatives for reform of disclosure

With the aim of IR that is easier to understand instinctively and visually, we promote the distribution of video on the internet and the introduction of the cutting-edge technologies of VR/drones, ahead of other J-REITs.

### The results for the 2nd fiscal period



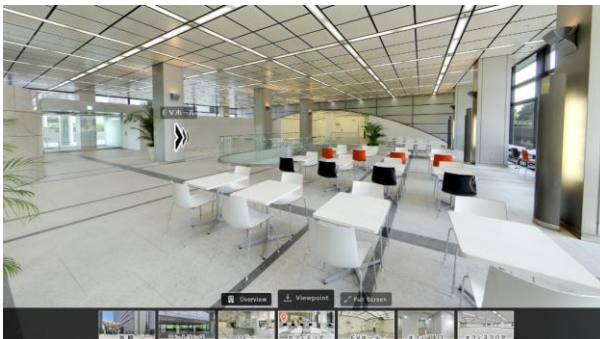
### Tokyo Front Terrace



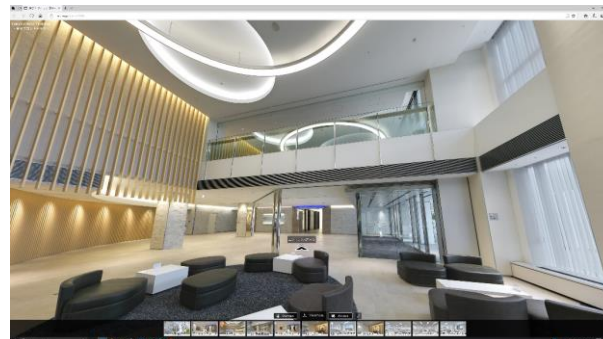
### Nara Heijo Plaza



### VR of Kawasaki Tech Center



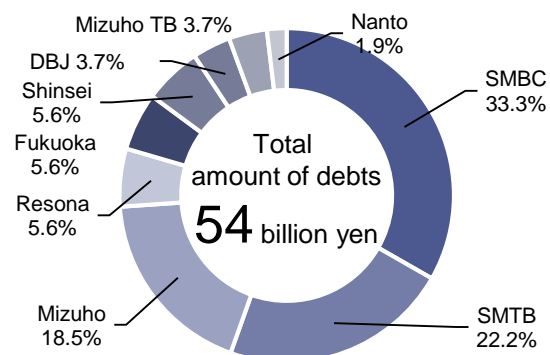
### VR of Tokyo Front Terrace



# Strengthening of the financial base ~ making the strong base stronger ~

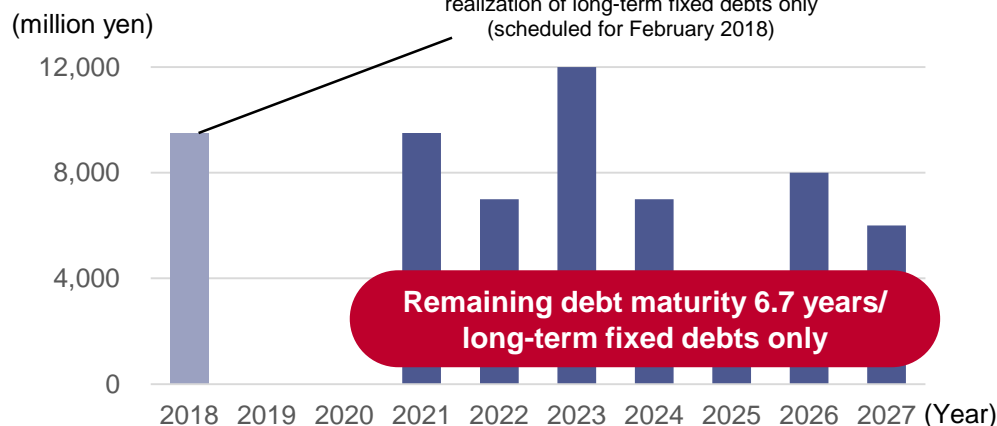
With the expectation of securing long-term fixed debts only, MIRAI executes the new setting of the commitment line for more flexibility and other initiatives to strengthen the financial base.

## Debt providers (after repayment of short-term loans)

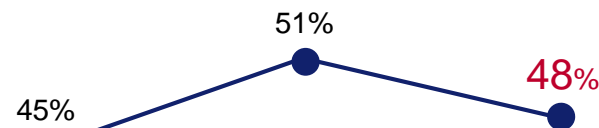


Commitment line (new establishment)	
Mizuho Bank	
Limit amount	2 billion yen
Amount of borrowing	None

## Debt maturity ladder



LTV



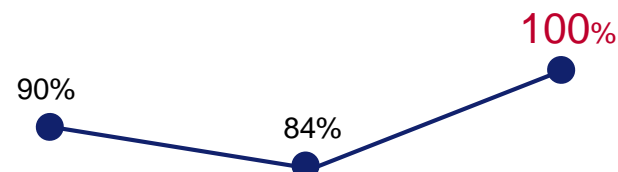
Loan spread



Remaining debt maturity



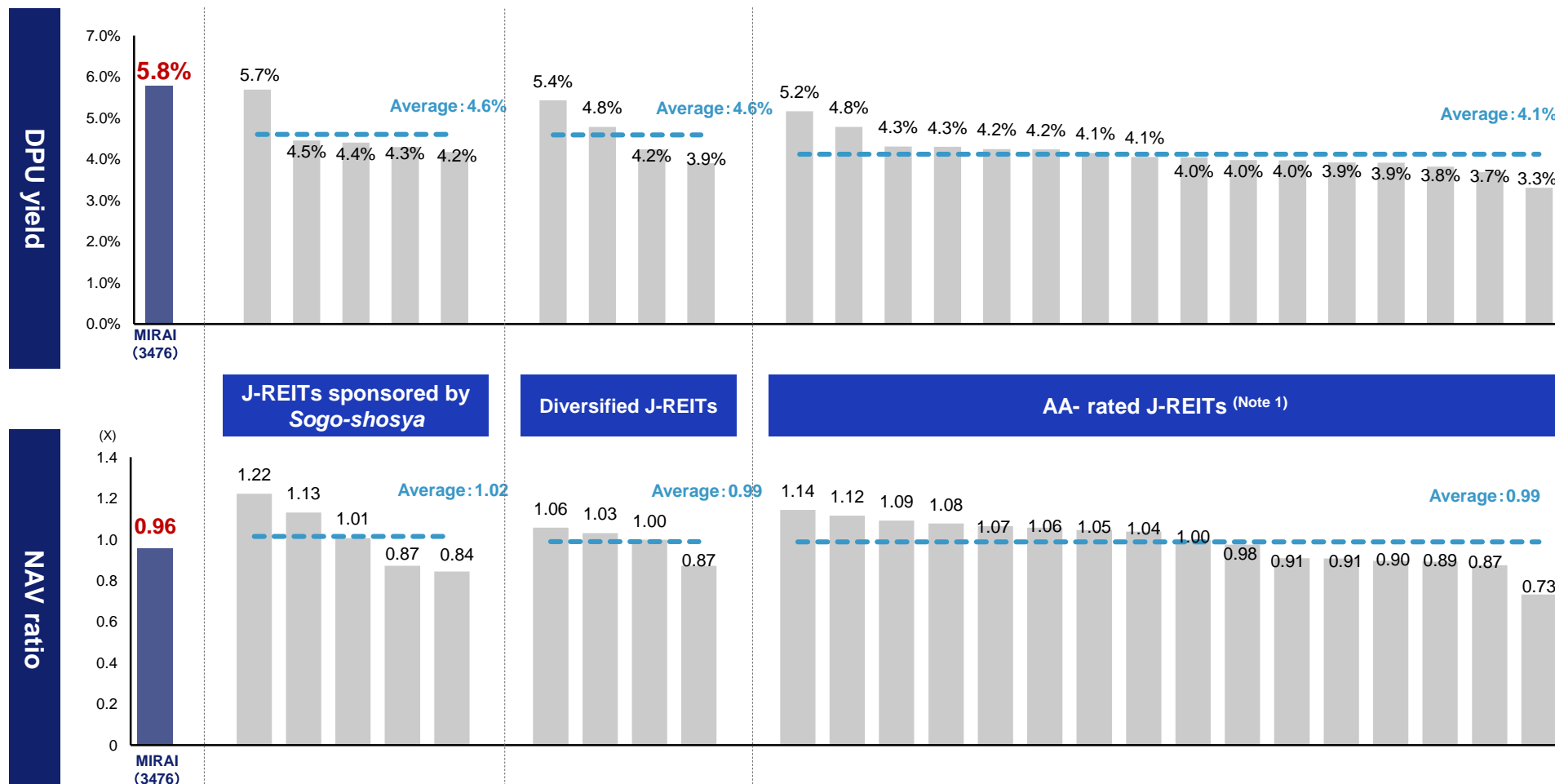
Fixed rates debt ratio



Before "Strategy of Links" → As of the end of October → After "Strategy of Links"

# Positioning of MIRAI Corporation

By compensating for “weakness with the capability of management”, “challenges and risk control” and “making the strong base stronger”, management to eliminate NAV discounts shall be promoted.



Note 1: J-REITs whose issuers are rated AA- by Japan Credit Rating Agency, Ltd.

Note 2: Those that are compared in each item are selected by the asset management company from the viewpoints of asset scale and type, among others.

Note 3: Distribution yield is calculated based on the closing price as of October 13, 2017.

NAV ratio = Closing price on October 13, 2017 / [net assets after ex-distributions (latest financial results disclosed) + unrealized gain (appraisal value of real estate - book value of real estate)] / number of issued investment units

Note 4: The figures in parentheses show the security codes.

# Schedule

3rd FP (fiscal period ended October 2017)		4th FP (fiscal period ending April 2018)	
May		Nov.	■ Execution of acquisition of MIUMIU Kobe (building)
Jun.	<ul style="list-style-type: none"> <li>■ Announcement of the results for the 2nd FP and “Repower 2020”</li> <li>■ Selection for loan margin trading issue</li> </ul>	Dec.	■ Announcement of the results for the 3rd FP
Jul.	■ The 3rd general meeting of unitholders	Jan.	■ Japan Credit Rating Agency, Ltd. (JCR) will conduct a review.
Aug.		Feb.	<ul style="list-style-type: none"> <li>■ Execution of partial disposition of Shinagawa Seaside Park Tower (36.6%)</li> <li>■ Execution of acquisition of Nippo Honmachi Building</li> <li>■ Repayment of short-term loans of 10 billion yen</li> </ul>
Sep.	■ New establishment of the commitment line (Mizuho Bank/ 2 billion yen)	Mar.	
Oct.	<ul style="list-style-type: none"> <li>■ Decision-making on acquisition of 3 properties and partial disposition of 1 property</li> <li>■ Execution of acquisition of Tokyo Front Terrace (50.2%) and Nara Heijo Plaza</li> <li>■ Procurement of loans of 20 billion yen/ repayment of short-term loans of 5 billion yen</li> </ul>	Apr.	■ Nara Heijo Plaza will be renewed and reopened

**Nara Heijo Plaza  
Renewal works  
Additional leasing**

# Conclusion

MIRAI Corporation will continue to produce steady management results to achieve “Repower 2020”.

		Before “Strategy of Links”	“Strategy of Links”		After “Strategy of Links” (Note 2)
			Asset to be disposed	Assets to be acquired (Note 1)	
Number of properties		15 properties	→		↑ 18 properties
AUM (Total acquisition price)		100.7 billion yen	11.7 billion yen	16.1 billion yen	↑ 105.5 billion yen
Total appraisal value		104.0 billion yen	11.8 billion yen	17.8 billion yen	↑ 110.6 billion yen
Profitability	NOI yield	4.7%	4.3%	5.6%	↑ 4.9%
	NOI yield after depreciation	4.0%	3.5%	4.8%	↑ 4.2%
Portfolio Diversification	Top 3 assets	64.7%	→		↓ 51.2%
	Top 10 tenants	56.5%	→		↓ 53.0%
LTV for total assets		45.2%	→		→ 47.7%

Note1: Excluding MIUMIU Kobe (building).

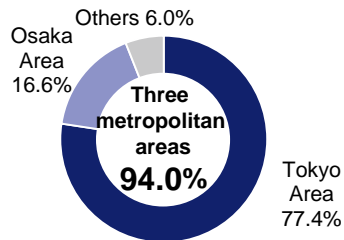
Note2: Including MIUMIU Kobe (building).

# Portfolio map (after “Strategy of Links”)

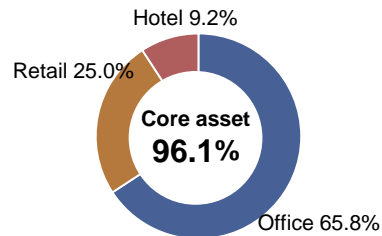
■ Office ■ Retail ■ Hotel



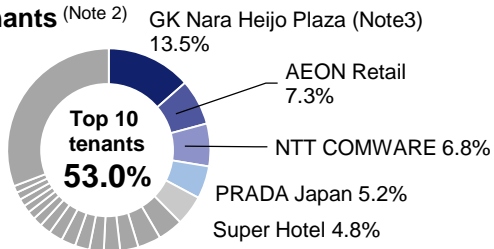
**Ratio of area** (Note 2)



**Ratio by asset type** (Note 2)



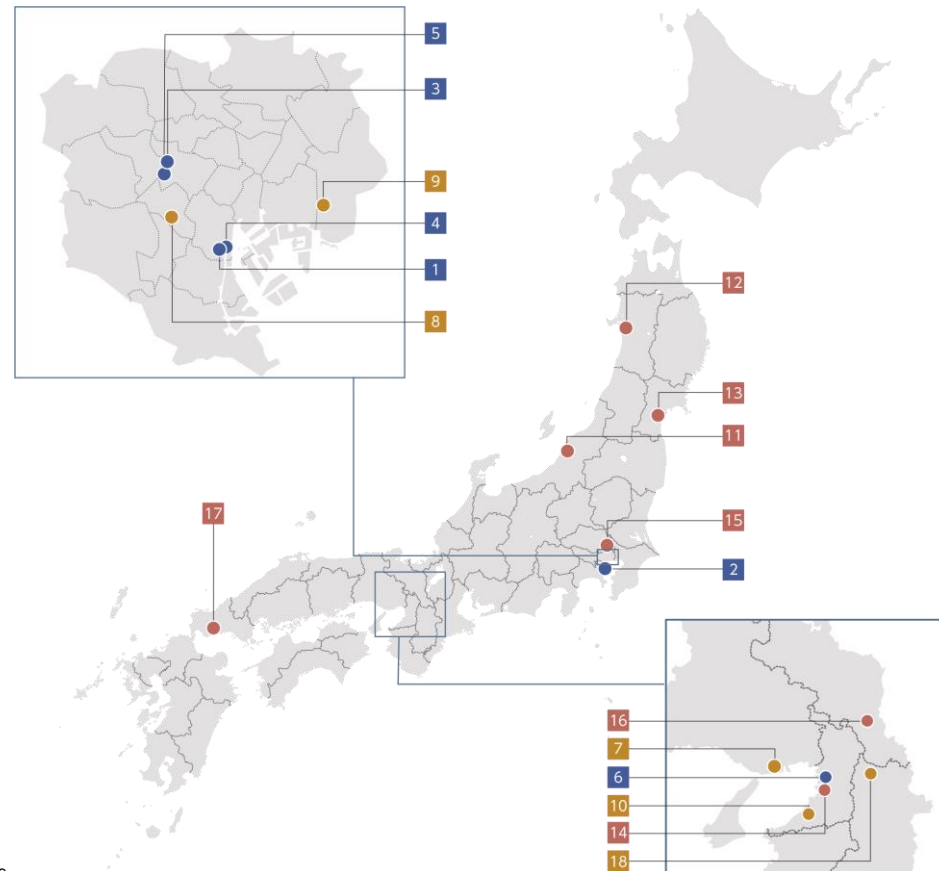
**Ratio by tenants** (Note 2)



Note 1: The picture of Nara Heijo Plaza is based on the current plan. It may be different from the actual appearance.

Note 2: The ratio by tenants is calculated based on the annual rent. Others are calculated based on the acquisition price.

Note 3: It is the master lease company of the pass-through type for Nara Heijo Plaza. It enters into the lease contract with a large number of end tenants. The ratio of tenants for it is calculated based on the minimum guarantee under the agreement for rent guarantee between it, MIRAI and Yamaki Co., Ltd.



## Revisions on the forecasts for the 4<sup>th</sup> FP

Reviewing on the effect of “Strategy of Links” execution, we revise the forecasts for the 4<sup>th</sup> FP and DPU.

As to the forecasts for the 5<sup>th</sup> FP reflecting the effect of Nara Heijo Plaza renewal opening, we are going to announce in Financial Report for the “Fiscal Period ended October 2017” to be released on December 11, 2017.

		Forecast 3 <sup>rd</sup> FP (17/10) (Note 1) (No change)	Forecast 4 <sup>th</sup> FP (18/04)		Changes in amount (B - A)	Changes in percentile
			Before (A) (Note 1)	After (B) (Note 2)		
Operating Revenue	(million yen)	3,397	3,341	3,745	404	12.1%
Lease business revenue	(million yen)	2,681	2,672	2,933	260	9.7%
Other lease business revenue	(million yen)	715	668	702	34	5.2%
Gain on disposition of properties	(million yen)	-	-	109	109	-
Operating expenses	(million yen)	1,035	983	1,103	120	12.2%
NOI	(million yen)	2,361	2,357	2,532	174	7.4%
Depreciation	(million yen)	356	364	396	32	8.9%
General administrative fees	(million yen)	363	347	401	53	15.4%
Non-operating expenses	(million yen)	142	146	197	51	34.8%
Net profit	(million yen)	1,498	1,497	1,644	147	9.8%
<b>DPU</b>	<b>(yen)</b>	<b>5,100</b>	<b>5,100</b>	<b>5,600</b>	<b>500</b>	<b>9.8%</b>
No. of properties		15	15	18	-	-
Occupancy rate	%	99.1	99.1	99.3	-	-
Outstanding interest-bearing debt	(million yen)	49,500	49,500	54,000	-	-
LTV	%	46.0	46.0	48.1	-	-
No. of outstanding investment units	(units)	293,750	293,750	293,750	-	-

Note 1: The forecast is calculated subject to a certain assumption as of June 14, 2017. Therefore, it is possible to be changed due to rent income volatility through tenants removals, additional unit issuance and so on.

Note 2: The forecast is calculated subject to a certain assumption as of November 10, 2017. Therefore, it is possible to be changed due to rent income volatility through tenants removals, additional unit issuance and so on.





# Disclaimer

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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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