

MIRAI Corporation
Q&A from result announcement for fiscal period ended October 2023
(The 15th fiscal period)

Date of the result announcement: December 19, 2023 (Tuesday) *Held online

Q1.

The hotels acquired through this public offering is under fixed-rent contracts, but is there any possibility of changing them to variable rents in the future?

A1.

The three properties acquired this time are relatively new, and the remaining terms of the lease contracts are all longer than 10 years, so it is difficult to make major revisions to the contracts, such as switching to variable rents, for the time being. However, because the properties were acquired at relatively low prices albeit with fixed rents, we believe they have the advantage of enjoying stable, high yields over the long term compared to hotels with full variable rents, which are subject to high volatility.

Q2.

What are your thoughts on M&A considerations and the reorganization of the J-REIT market?

A2.

Since its listing, MIRAI has been proactively pursuing external growth through M&A as one of its strategies in addition to steady external growth through public offerings and other means, as it can expand its scale at once. We believe that mergers and acquisitions are possible in the J-REIT market in the future, and we will continue to explore M&A opportunities, taking advantage of changes in the market environment.

Q3.

By how much will the change in operator of Super Hotel Osaka/Tennoji and Super Hotel Kyoto/Karasumagojo increase the rent at the time of stable occupancy compared to the previous situation? Also, how many months is the time lag between the actual GOP and the variable rent?

A3.

The opening date by the new operator, Hospitality Operations (hotel branded as Smile Hotel), is expected to be in the spring of next year. We refrain from commenting on the rent level at this moment as the hotels are yet to be opened under the new operator and may take some time before they reach stable operation. However, we have decided to change operators because we believe we can obtain upside from variable rents based on expert opinions, and also because of Smile Hotel's extremely strong intention to open new hotels. The same rent structure as the existing Smile Hotel is applied, and there is no time lag between GOP performance and variable rent accrual (variable rent will be determined by monthly GOP performance).

Q4.

What are your prospects for inclusion in major indexes and for rating improvement?

A4.

We believe expanding market capitalization and asset under management (AUM) are required to achieve either of them, see that the possibility will be enhanced by aiming to achieve the 200 billion yen AUM goal set forth in the mid-term management plan. Although we consider inclusion in major indexes to be a somewhat distant goal compared to our rating improvement, we intend to steadily expand our market capitalization and AUM.

Q5.

Is it possible to backfill the Shinagawa Seaside Parktower after Mercedes-Benz moves out?

A5.

As noted on page 10 of the presentation material, leasing has progressed from an occupancy rate of 91.4% at the end of October 2023, and the occupancy rate is expected to remain at 90% after Mercedes-Benz's move-out is factored in. While the forecast is based on the assumption that the space will remain vacant after June 2024, Mercedes-Benz has confirmed its intention to retain a division of the company, and if it does remain, it is expected to be an upside.

Tenants are often weighing multiple properties, so it is necessary to reach a compromise on

contract terms. However, recent active tenant trends indicate that it is possible to backfill the lease within a certain period of time.

Q6.

What is the view of the future impact on BIGMOTOR Ginan (land with leasehold interest)?

A6.

Although specific figures for rent cannot be provided because they are undisclosed, we believe that even if rent payments were delayed, the impact on performance would not be significant because the acquisition price of 1 billion yen is only 0.6% of the portfolio. Currently, it is reported that a major general trading company is considering rebuilding its business as a new sponsor, and given the fact that this property is a core location in the area where full services can be provided, we believe that it is likely to be a surviving shop. Even if the tenant were to move out, the property faces a major highway connecting Nagoya and Gifu, and we believe that there is sufficient tenant substitutability, including drugstores and other tenants in other industries.

(End)

*In addition to questions from investors, FAQs (frequently asked questions) prepared by the asset manager may also be included.