ASTRIS CORPORATE ADVISORY JAPAN

MIRAI Corporation (3476)

Stable and defensive growth combined with an attractive credit enhancement profile

21 May 2024

Initiating coverage

- **Diversified and set for stable growth** - MIRAI Corporation is a diversified J-REIT with core assets in B-class properties. Positioned in the mid-sized office property market where new building supply is limited and urban retail properties with potential rent hikes and hotels with variable rents, we expect the company to achieve higher revenue in the medium term. By leveraging the expertise and network of co-sponsor Mitsui & Co (8031), it has diversified its portfolio into infrastructure providing higher profitability and stable cash flows. Initiatives to boost internal growth include reducing free rents and rent holidays for offices and introducing and expanding variable contracts for hotels. We expect external growth opportunities via public offerings and acquisitions of undervalued properties, allowing it to reach its medium-term AUM target of ¥200bn by the end of 2025.

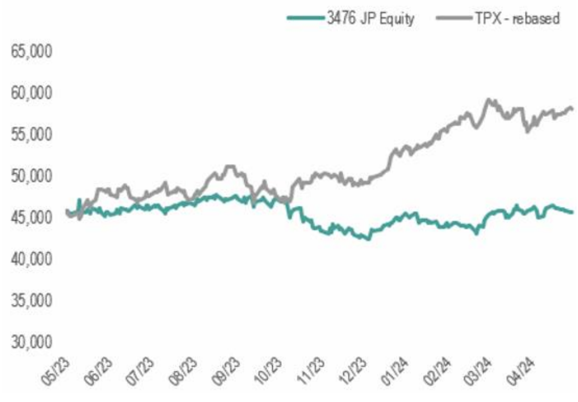
High creditworthiness is an advantage

- **Credit-based competitive advantage** – we believe MIRAI Corporation's strengths lie in high creditworthiness and financial stability backed by its sponsor Mitsui & Co. Domestic rating agency JCR revised its outlook from Stable to Positive in February 2024; we believe as AUM exceeds ¥200bn, the issuer rating will likely be raised from the current A+.
- **Medium-term management targets** – the company aims to achieve a NAV per unit of ¥53,000 and a (semi-annual) DPU of ¥1,300 between 2022-25. The AUM target of ¥200bn is set for the end of 2025.
- **External growth** – in addition to POs (public offerings), the external growth strategy involves M&A with credit enhancement backed by Mitsui & Co.'s high creditworthiness.
- **ESG** – we score the company as 'Amber' under our Astris-Sustainability model scorecard, scoring relatively highly in the 'Social' category.
- **Valuations** – on our estimates, the shares are trading on P/NAV FY10/25 of 0.8x and a dividend yield of 5.8%. The dividend yield looks undervalued compared to the J-REIT industry average of 4.48%.

Year-end	10/22	10/23	10/24E	10/25E	10/26E
Revenue (¥bn)	10.94	12.05	12.85	13.25	14.67
NOI (¥bn)	7.43	7.43	7.64	7.92	9.02
NP (¥bn)	4.57	4.60	4.80	4.98	5.67
EPU (¥)	2,579	2,597	2,711	2,810	3,200
DPU (¥)	2,580	2,520	2,575	2,650	3,100
Sales growth YoY (%)	+8.5	+10.2	+6.6	+3.1	+10.7
NOI growth YoY (%)	+11.9	-0.1	+2.9	+3.6	+13.9
NP growth YoY (%)	+8.4	+0.7	+4.4	+3.6	+13.9
EPU growth YoY (%)	+1.7	+0.7	+4.4	+3.6	+13.9
DPU growth YoY (%)	+1.7	-2.3	+2.2	+2.9	+17.0
P/NAV (x)	0.89	0.87	0.81	0.81	0.67
PER(x)	17.7	17.6	16.9	16.3	14.3
Distribution yield (%)	5.6	5.5	5.6	5.8	6.8
AFFO yield (%)	7.1	6.4	7.1	7.3	8.3
FFO/Unit	3,250	3,149	3,219	3,334	3,780
FFO payout (%)	79.4	80.0	80.0	79.5	82.0
AFFO payout ratio (%)	79.4	80.0	80.0	79.5	82.0

Source: Company, Astris Advisory (estimates)

Share price: ¥45,750 **Market cap: ¥87.3bn**



Source: Bloomberg

Price Performance

	YTD	1M	3M	12M
Abs (%)	+5.3	+5.1	+3.2	0.2
Rel (%)	-11.3	-5.4	-1.9	-27.4

Company sector

REITS-Diversified
Office REITs (GICS)

Stock data

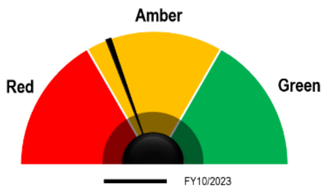
Price (¥)	45,750
Mkt cap (¥bn)	87.3
Mkt cap ($m)	564.3
52-week range (¥)	42,350-47,900
Shares O/S (m)	1.9
Average daily value ($m)	2.5
Free float (%)	99.0
Foreign shareholding (%)	16.1
Ticker	3476
Exchange	TSE
Net Debt/Equity (x)	1.0
FFO leverage (x)	6.5
BBG BUY | HOLD | SELL	0 | 0 | 0

Source: Bloomberg

Business Overview

MIRAI Corporation is a mid-sized, diversified J-REIT jointly owned by Mitsui & Co. and IDERA Capital Partners.

Astris-Sustainability ESG rating



Reference Ratings	
MSCI	N/A
Sustainalytics	N/A
Refinitiv	N/A
S&P Global	1.0
Bloomberg	1.28
CDP	N/A

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Tel: +81 3 6868 8797
Email: Corporateresearch@astrisadvisory.com

This report has been commissioned and paid for by the company

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Summary

A diversified J-REIT with a focus on mid-sized offices

MIRAI Corporation ("MIRAI") is a **diversified J-REIT jointly sponsored by Mitsui & Co. (8031) and IDERA Capital Management (majority owned by the Fosun Group (0656 HK)).** Almost half of the assets consist of B-class office properties in three metropolitan areas (Tokyo, Osaka, and Nagoya), which have limited supply and will face a smaller risk of rental reductions than the larger A-class office buildings.

The four largest B-class office buildings with more than ¥10bn acquisition prices make up 36% of the portfolio. The rest of the properties are smaller with acquisition prices below ¥10bn. The variations in size and property type provide diversification.

Rapid acquisitions of properties in FP4/24

More than 80% of its portfolio comprises properties in major metropolitan areas in Tokyo, Osaka, and Nagoya. The company plans to expand AUM to ¥200bn during the current medium-term plan, which will bring more diversification to the portfolio. Five properties have been added in FP4/24 after the fifth PO as part of a post-COVID reversal. There was limited AUM expansion during the pandemic when the market was stagnant because the company's focus was more on portfolio reconstruction to enhance the stability of the portfolio than expansion of assets.

Internal growth through rent hikes & external growth through potential M&A

As part of its external growth strategy, MIRAI will focus on properties that can benefit from structural changes such as domestic inflation and further improvement in inbound demand from overseas, rather than being confined to investment ratios by asset type alone. Specifically, this may involve introducing variable rents in hotels, including those with expiring contracts, as well as considering urban commercial facilities that are more likely to benefit from inflation or have rents linked to sales. Furthermore, there is an expectation that opportunities for external growth through M&A, backed by the creditworthiness of sponsor Mitsui & Co., will also be pursued.

Major Japanese credit agency JCR has an A+ credit rating for MIRAI but revised its outlook from stable to positive in February 2024. The reasoning was based on an expectation of stable cash flows driven by MIRAI's efforts to add more defensiveness to its portfolio. As it continues to expand AUM, the likelihood of a credit rating upgrade will increase, in our view. Any upgrade would open up investment in MIRAI to regional financial institutions that invest in J-REITs, but only those with credit ratings of AA or higher.

The company has embarked on a medium-term strategy (2022-25) based on the following (all increases are compared to FP10/21):

- **DPU: ¥1,300 (vs. ¥1,289 in FP10/21)**
- **NAV/U: Over ¥53,000 (CAGR about +2%)**
- **AUM: ¥200bn (CAGR about +7%)**

Astris Advisory estimates that MIRAI Corporation will drive medium-term growth via the following factors:

NOI yield improvement through rent hikes and operational optimisation

- **Termination of free rent periods and rent holidays –** the main driver for internal growth in our view as more than 50% of the portfolio consists of offices that will benefit from the termination of free rent periods (a period of rent exemption after occupancy begins), which were offered to tenants after COVID-19 and rent holidays (a period of rent exemption during a certain period of the contract term) in future.

- **Increasing variable rent ratio** – A shift towards tenancy contracts with variable rents will expand NOI and DPU on the back of inbound demand from overseas, a strong appetite for domestic travel, and domestic inflation. In particular, hotels and urban retail properties should benefit.
- **Improving profitability through office conversions for hotels** – MIRAI's proven track record in enhancing asset value through operational optimization. For instance, it has improved profitability by converting some hotels that went bankrupt during the pandemic into serviced offices.
- **Acquisition of properties** – We believe that external growth through property acquisitions with POs will be a key driver.

Whilst there is a near-term headwind against offices in Tokyo due to excess supply of S and A class offices, we believe this impact is somewhat mitigated for MIRAI due to their exposure to mid-sized offices where new supply is relatively limited. The mid-sized office market has limited new supply due to budget constraints associated with recent increases in construction costs. This is why MIRAI puts more focus on mid-sized offices.

Company description

Overview

MIRAI is a diversified J-REIT jointly sponsored by Mitsui & Co. and IDERA Capital Management. Listing on the Tokyo Stock Exchange in 2016, it was added to the FTSE/EPRA Nareit Global Index in 2021. Its investment fund is classified as a diversified REIT with more than **50% invested in offices, about 21% in retail, and about 18% in hotels**. Regionally the focus has been on three metropolitan areas (Tokyo, Osaka, and Nagoya) with high population concentrations. Properties in these areas make up more than 80% of the portfolio. **Most properties are classified as B-class** which is defined as buildings older than 15 years and below 30,000 m^2 in size. Unlike A-class offices which target a smaller number of large domestic and foreign corporates, it is relatively easier for B-class office buildings to maintain more stable occupancy rates and more sustainable cash flows over time because of a broader tenant base and limited new supply.

A**ssets under management totaled ¥178.2bn as of March 2024** with an appraisal value of ¥196.2bn and an occupancy rate of 99%. Appraisal NOI yield (based on appraisal value) is 4.7% based on purchase value.

A potential improvement towards AA- could further expand the investment universe

A key competitive strength lies in credit enhancement opportunities backed by Mitsui & Co.'s creditworthiness. The credit rating by JCR is already A+ but a potential improvement towards AA- or higher could further expand the investment universe to include local financial institutions that can only invest in J-REITs above an AA credit rating.

Snapshot of achievements

Since its IPO in 2016, MIRAI has achieved the following:

- AUM: +¥77.4bn (+76.9%); ¥100.7bn to ¥178.2bn
- NAV/U: +¥6,810 (+14.9%); ¥45,640 to ¥52,450
- Transactions: acquisitions of ¥110.8bn, dispositions of ¥33.3bn
- Index weight: +0.31%; 0.25% to 0.56%

Timeline summary

Key dates	Details
November 2015	Establishment of MIRAI Corporation by Mitsui & Co. & IDERA Partners
December 2016	**IPO**
May 2018	**1st PO (public offering)**
October 2018	**2nd PO**
July 2019	Attempt to rescue Sakura Sogo REIT Investment as a white knight from Star Asia Group's TOB. The acquisition would have expanded MIRAI's AUM above ¥200bn, facilitating inclusion into a global index. This was the first TOB in the J-REIT sector.
August 2019	The attempt of the white knight fell short. Sakura Sogo was acquired by Star Asia at the end
December 2019	**3rd PO**
December 2021	**Inclusion into the FTSE/EPRA Nareit Global Index**
December 2021	**4th PO**
November 2023	**5th PO**
February 2024	**JCR improved MIRAI's outlook from stable to positive on an A+ credit rating**

Source: Company

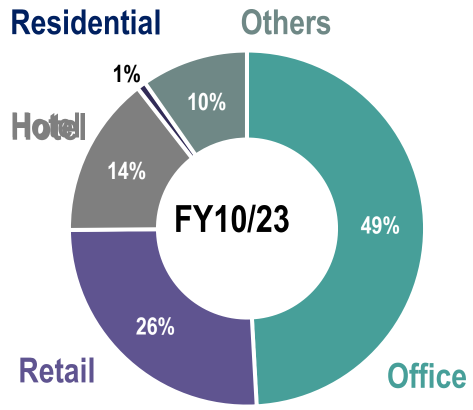
Overview of real estate rental income business

Rental income is the only reporting segment:

- **Rental income segment (77.9% of FP10/23 operating revenue)** – managing offices, retail, hotels, residential buildings, and other properties.
  - **Office** – accounts for 49.1% of rental income (as of FY10/23 and similarly for the following) and more than 50% of the portfolio with an appraisal NOI of 4.4% and after-depreciation yield of 3.6%. There are 12 offices in total which consist of four larger properties (71% of the office portion of the portfolio by acquisition price) and eight mid-sized properties (29% by acquisition price). Most of the larger offices are based in Tokyo and Kanagawa whereas the mid-sized offices are located across major cities in regional areas.
  - **Retail** – accounts for 25.7% of rental income and more than 21% of the portfolio with appraisal NOI of 4.8% and after-depreciation yield of 4.0%. Major properties are Mi-Nara, a renovated shopping mall with an appraisal NOI yield of 5.8% and an NOI yield after depreciation of 2.4% as well as AEON Kasai with an appraisal NOI yield of 5.0% and an NOI yield after depreciation of 4.1%. We believe that the proportion of urban retail properties with variable rent contracts is higher for MIRAI than it is for hotels. Furthermore, rent is adjusted to consumption trends as the length of tenancy contracts tends to be about three to five years. Therefore, we see less headroom for further increases than for hotels. Notwithstanding that, in our view, the trajectory is to expand investments in urban retail properties to capture the upside stemming from inflation and expansion of inbound consumption.
  - **Hotel –** this business is comprised of 15 regionally diverse budget hotels, making up about 14.6% of rental income and 18% of the portfolio. Currently, 52% of properties are managed on variable rent contracts. The company is on a trajectory to increase this ratio to benefit from rent increases supported by higher occupancy rates on the back of inbound demand. In FP4/24, MIRAI added five properties to the portfolio, three of which are hotels.

About 50% of rental income is generated by office

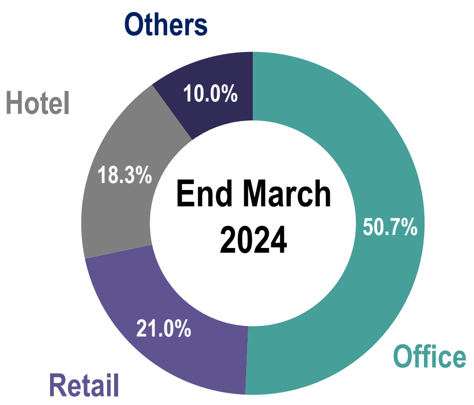
FY10/23 rental income by asset type



Source: Company

More than 50% of the portfolio is composed of offices

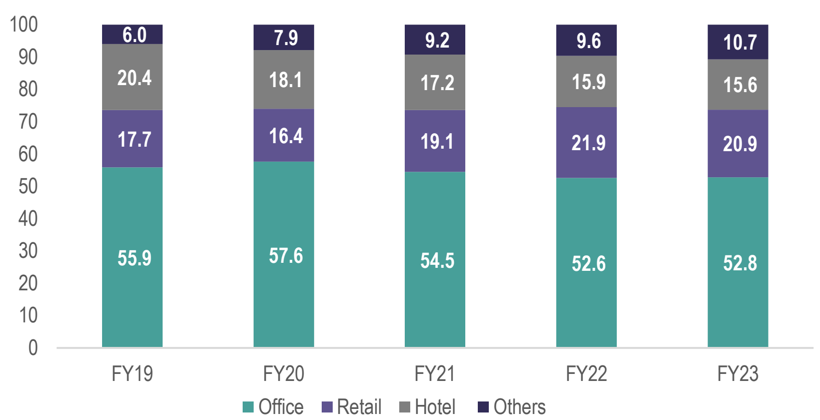
As of the end of March 2024 (by asset type)



Source: Company

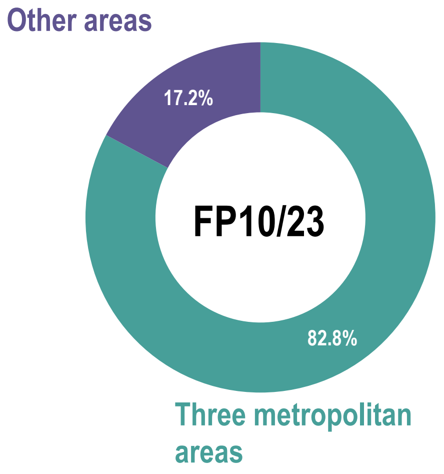
Office weighting is falling due to the focus on other property types

Portfolio weighting by asset type (%)



Source: Company

More than 80% of the portfolio is in the three metropolitan areas
End March 2024 property by location

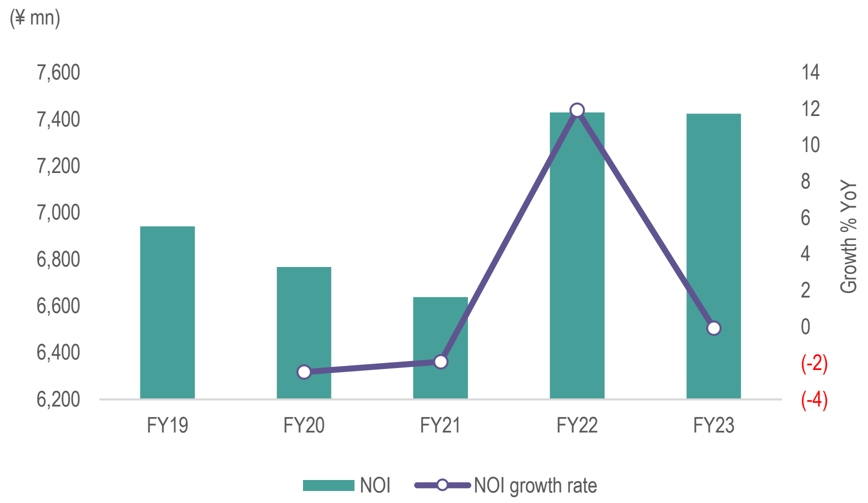


Source: Company

NOI trend

Due to the pandemic, NOI declined by 2.5% YoY and 1.9% in FY10/20 and FY10/21 respectively. However, NOI grew by 11.9% YoY in FY10/22 on the back of a recovery from COVID-19. NOI growth was also driven by portfolio reconstruction to enhance defensive characteristics in response to COVID-19.

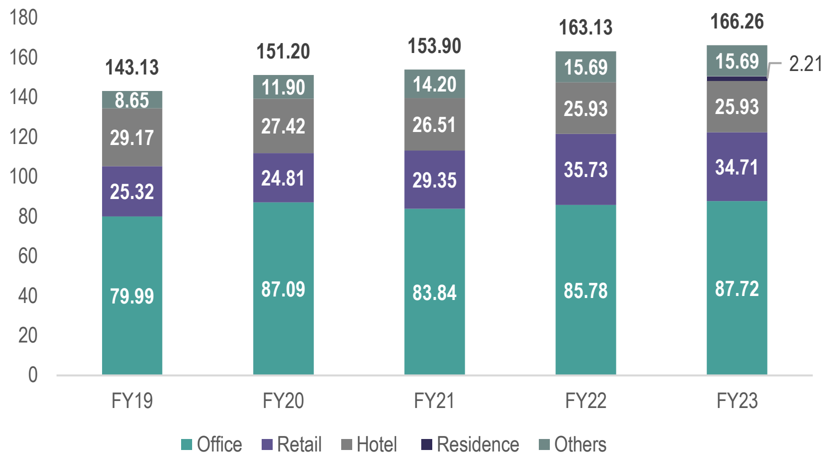
NOI has significantly increased on the back of a recovery from COVID-19
Annual NOI trend and NOI growth rate



Source: Company

AUM and diversification expanded through portfolio reconstruction to enhance defensive characteristics

AUM trend – total and by asset type (¥ bn)



Source: Company

Sponsors

Access to branding, expertise, and credit enhancement

MIRAI is jointly backed by two sponsors; Mitsui & Co. and IDERA Capital Management:

- **Mitsui & Co** – one of the largest general trading companies in Japan with a market cap of ¥11.2tn and a long-term credit rating of A by S&P (as of April 2024). Their resilient credit rating enables credit enhancement for MIRAI. Being a general trading company with exposure to comprehensive business realms, Mitsui & Co's expertise and network in various projects particularly in New Type assets brings synergies to MIRAI in the acquisition and management of various properties.
- **IDERA Capital Management** – a Japanese real estate manager established in 2001 (formerly MK Capital Management) and majority-owned by the Fosun Group. Its AUM is ¥472.9bn with 86 properties (excluding MIRAI) as of December 2023. Their strength lies in the value enhancement of properties and lease management. Unlike Mitsui & Co., IDERA has expertise in value enhancement for traditional properties such as offices, hotels, and retail properties.

Business model

Key concepts and unique selling points

MIRAI's primary focus is to select prime real estate in the three major metropolitan areas in Japan by leveraging its sponsors, Mitsui & Co and IDERA Capital Management. The fund classifies assets by "Core", "Core-Plus and "New Type" (the company combines Core Plus assets and New Type assets and terms these as "Growth" assets). MIRAI aims to add Core Plus and New Type assets with cap rates higher than the implied cap rate to the portfolio mix i.e. undervalued assets to achieve a balanced portfolio:

- **Core** – traditional assets including office buildings, retail properties, hotels, residential properties, and logistics properties with stable rental income and an occupancy rate of more than 80%. As of the end of March 2024, 88.4% of the portfolio was made up of Core assets.
- **Core Plus** – growth assets with better profitability than Core but also offer stable cash flows. Profitability enhancement is pursued by boosting lease income through lease-up and small-scale renovation or conversion during the management period. As of the end of March 2024, Mi-Nara, a shopping mall, is the sole property classified as Core Plus, making up 2.8% of the portfolio.
- **New Type** – Under-penetrated assets in the realm of healthcare, hospital, education, industrial, infrastructure, entertainment, and forest. In other words, New Type assets are an area where MIRAI has less experience in investing but also faces limited competition. These assets are less liquid than Core and Core Plus but cash flows are more stable than Core Plus. As of the end of March 2024, 8.8% of the portfolio was made up of New Type assets with an appraisal NOI yield of 5.3% (vs. portfolio appraisal NOI yield of 4.7%) and an after-depreciation NOI yield of 4.5% (vs. 3.8% for the portfolio).

Based on the above definitions, we ascertain that the current portfolio composition reflects management's tilt towards growth but also a strong preference for stable cash flows. As of the end of March 2024, Growth assets account for 11.6% of the portfolio. From a risk management point of view, the company caps Growth assets at a maximum of 20% of the portfolio.

Competitive advantages

- **Diversified portfolio** – posing resilience in an economic downturn.
- **Mid-size offices with stable cash flows** – a positive supply and demand environment.
- **Credit enhancement with Mitsui & Co's sponsorship** – Mitsui & Co has high creditworthiness with an 'A' LT credit rating by S&P. As a result, **MIRAI can secure loans at a competitive interest rate. For example, as of FY10/23, the average borrowing cost is 0.61%.**

- **Synergies from sponsors** – Mitsui & Co and IDERA Capital Management, which possess different strengths respectively, support acquisitions and portfolio management.

Value enhancement of properties through synergies with sponsors

Utilizing Mitsui & Co's expertise and network has been beneficial in the following manner for New Type assets:

- Development and acquisition of logistics facility Rokko Island DC with three temperature zones, which was sourced through Mitsui & Co's global network (development and property management were undertaken by an affiliated company before the acquisition)

IDERA's experience in value enhancement of properties was used in BizMiiX Yodoyabashi, where a hotel was converted into an office. Furthermore, IDERA has great expertise in lease management and its strength lies in traditional assets such as offices, hotels, and retail properties. IDERA owns a hotel operator called The COURT, which operates 17 hotels in Japan as of April 2024, helping IDERA accumulate know-how in hotel management. Other cases where IDERA's knowhow was successfully reflected include:

- Acquisition of and leasing support after the acquisition of large offices such as Shinagawa Seaside Parktower and Tokyo Front Terrace.

- At the operator selection competition for Ise City Hotel, which reached the end of its lease agreement term with the tenant, The COURT was chosen as the new operator (the company offered the most favorable rental terms).

Internal growth drivers

MIRAI takes various initiatives to improve NOI internally as follows:

- **Termination of free rents and rent holidays** –to prioritize the improvement of occupancy rates in large-scale office properties, free rent periods and rent holidays were offered during the leasing period during the pandemic and its aftermath. However, it is anticipated that these measures will be lifted after a certain period. Furthermore, considering the improvement in market conditions, MIRAI is considering reductions of the free rent and rent holidays for new leasing transactions in the future. We believe these initiatives will be the main source of internal growth for NOI and DPU. This is because more than 50% of the portfolio consists of offices that will benefit from the termination of free rent and rent holidays.

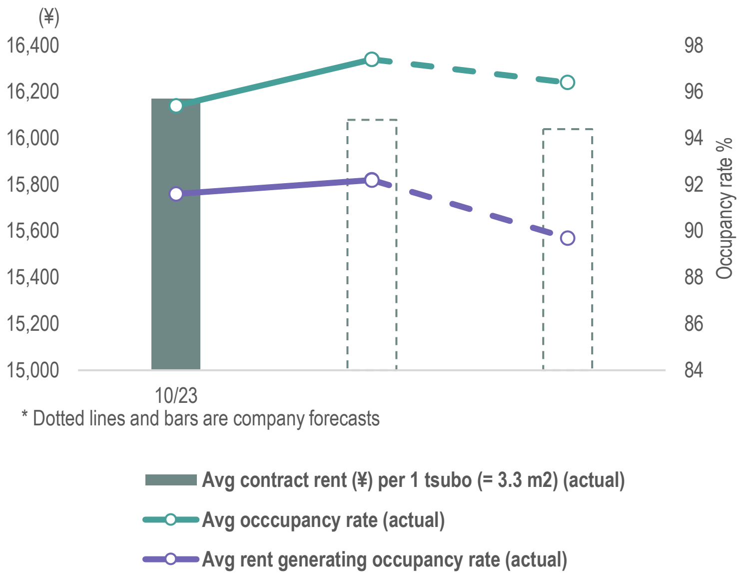
- **Increasing variable rent contracts** – with the recovering business environment, MIRAI is set to expand variable rent contracts to capture the upside for incremental rental income for hotels and retail properties.

- **Improvement of occupancy rates** – MIRAI continuously makes efforts to improve occupancy rates through initiatives such as converting hotel properties into offices and leveraging a sponsor's expertise and experience in real estate value enhancement and lease management. The medium-sized office market, which MIRAI particularly focuses on, benefits MIRAI's occupancy rates positively due to limited new property supply and abundant potential tenant candidates. For its large offices, MIRAI has secured prospective new tenants to fill vacant spaces after Mercedes-Benz's departure at the Shinagawa Seaside Park Tower, thus avoiding a decrease in occupancy rates. These efforts are likely to result in rent increases over time.

A downside risk to rental income arises from higher interest rates. However, we believe that MIRAI is better positioned to borrow at more favorable rates than peers, considering its high creditworthiness and its stable credit rating backed by sponsor Mitsui & Co.

MIRAI expects occupancy rates to decline in the near term temporarily

Company forecasts for average occupancy rate and average rent-generating occupancy rate for offices



Source: Company

External growth drivers

We identify PO (public offerings) and potential M&A key external growth drivers:

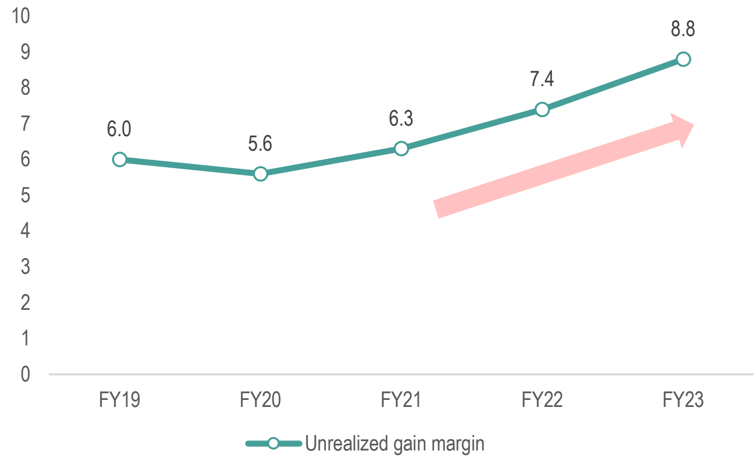
- **Property acquisitions after POs –** management appears conscious of valuations to prevent BPU dilution. At the same time, they are willing to carry out a **PO** even when P/NAV is below 1x as long as BPU dilution is avoided and expansion of NAV and DPU can be achieved through acquisitions of undervalued properties. POs speed up property acquisitions, putting the ¥200bn AUM target in sight. Other expected benefits include improvements in liquidity and market cap, which will widen the investor base, and DPU growth.

- **Potential M&A –** we believe that MIRAI is well positioned to carry out M&A due to sponsor creditworthiness providing a credit enhancement opportunity for the target company. **The extent of credit enhancement may vary but past cases of financing led by a J-REIT with JCR's A+ rating suggest a 0.2% reduction of borrowing cost for a target company (assuming debt duration is the same as MIRAI).** We believe that MIRAI's chances to acquire another REIT would be even higher if its credit rating was upgraded. Although we view M&A as a catalyst rather than the underlying thesis, we believe that market consolidation is increasingly probable in the J-REIT sector on the back of mature market growth. In 2019, MIRAI attempted an acquisition of Sakura Sogo REIT Investment (as a white knight) after a TOB by Star Asia Group. Although Star Asia ended up acquiring Sakura Sogo REIT, in our view, **this event highlights MIRAI's proactive stance on M&A**.

We believe that a higher unrealized gain margin could also support acquisitions of properties; MIRAI can accelerate dispositions and raise cash leading to lower LTV by repaying debts and also more willingness to acquire assets.

Unrealized gain margin has consistently increased since COVID

Unrealized gain margins (%)



Source: Company

Portfolio Overview

As of FY10/23, MIRAI's portfolio consisted of 38 properties in diverse asset categories such as office, retail, hotel, residence, industrial, and educational buildings. It added three hotels, one office building, and one retail property from December 2023 to March 2024, for a total of 43 properties now. MIRAI's office properties face a limited supply in terms of competition from new properties whilst office buildings account for more than 50% of its portfolio. We believe this is why its portfolio tends to have as high an overall occupancy rate as 98.5%.

As for office buildings, securing a new tenant is relatively easier for smaller offices than large ones because the pool of candidates is wider, considering more than 99% of companies are SMEs (i.e., main targets for mid-size offices) in Japan.

FY10/23 MIRAI's portfolio (before pending acquisitions, October 2023)

Asset Type		Property Name	Address	Property age	Acquisition year	Acquisition Price (¥ mn)	% of the Portfolio	Appraisal NOI Yield	NOI Yield After Depreciation	Number of Tenants	Rentable Area (sqm)	Occupancy Rate	PML
Office	Core	Shinagawa Seaside Parktower	Shinagawa-ku, Tokyo	20.3	2016	20,288	12.2%	4.4%	3.7%	24	22,206	91.4%	3.1%
	Core	Kawasaki Tech Center	Kawasaki-shi, Kanagawa	35.7	2016	23,182	13.9%	4.8%	3.7%	26	22,737	100.0%	2.6%
	Core	Shinjuku Eastside Square	Shinjuku-ku, Tokyo	11.6	2016	10,000	6.0%	3.5%	2.8%	43	5,774	100.0%	2.3%
	Core	Tokyo Front Terrace	Shinagawa-ku, Tokyo	31.4	2017	10,592	6.4%	3.6%	3.0%	31	9,721	94.1%	3.0%
	Core	MI Terrace Nagoya-Fushimi	Nagoya-shi, Aichi	30.7	2019	8,886	5.3%	4.7%	4.1%	8	11,625	100.0%	4.9%
	Core	Hiroshima Rijo-dori Building	Hiroshima-shi, Hiroshima	30.5	2020	2,250	1.4%	5.2%	4.4%	13	3,612	100.0%	5.0%
	Core	BizMiiX Yodoyabashi	Osaka-shi, Osaka	6.8	2018	2,041	1.2%	3.9%	2.8%	40	1,005	85.1%	5.7%
	Core	TCA Building	Osaka-shi, Osaka	29.7	2021	2,120	1.3%	4.5%	3.6%	8	3,213	100.0%	10.6%
	Core	Ehime Building/Hiroshima	Hiroshima-shi, Hiroshima	32.3	2022	2,780	1.7%	4.9%	4.2%	21	4,700	100.0%	4.3%
	Core	MI Terrace Sendai Hirose-dori	Sendai-shi, Miyagi	32.3	2022	2,022	1.2%	4.8%	4.2%	18	3,804	92.1%	3.1%
	Core	MI Terrace Kita-Ueno	Taito-ku, Tokyo	31.5	2023	3,557	2.1%	4.3%	3.8%	7	3,552	100.0%	5.4%
		Office		**27.1**		**87,719**	**52.8%**	**4.4%**	**3.6%**	**239**	**91,950**	**96.8%**	**-**
Retail	Core	Shibuya World East Building	Shibuya-ku, Tokyo	39.0	2016	3,200	1.9%	5.6%	5.2%	8	1,702	100.0%	9.1%
	Core	THINGS Aoyama	Minato-ku, Tokyo	17.8	2020	2,912	1.8%	3.7%	3.6%	1	998	100.0%	5.1%
	Core	MI Cube Sendai Clisroad	Sendai-shi, Miyagi	32.7	2020	1,330	0.8%	4.8%	4.7%	3	1,024	100.0%	3.2%
	Core	MI Cube Machida East	Machida-shi, Tokyo	34.5	2023	1,977	1.2%	4.9%	4.2%	9	2,176	85.9%	4.8%
	Core	AEON Kasai	Edogawa-ku, Tokyo	40.9	2016	9,420	5.7%	5.0%	4.1%	1	28,338	100.0%	10.2%
	Core	CAINZ MALL Hikone (land)	Hikone-shi, Shiga	-	2021	3,598	2.2%	5.1%	5.1%	1	85,324	100.0%	-
	Core	MaxValu Takatori (land)	Hiroshima-shi, Hiroshima	-	2021	950	0.6%	4.6%	4.6%	1	5,749	100.0%	-
	Core	Tsurumi Fuga 1	Yokohama-shi, Kanagawa	38.1	2022	5,300	3.2%	4.4%	3.6%	1	9,579	100.0%	3.3%
	Core	BIGMOTOR Ginan (land)	Hashima-gun, Gifu	-	2022	1,080	0.6%	4.2%	4.2%	1	6,545	100.0%	-
	Core-Plus	Mi-Nara	Nara-shi, Nara	34.2	2017	4,944	3.0%	5.8%	2.4%	59	43,330	95.3%	9.9%
		Retail		**30.1**		**34,711**	**20.9%**	**4.9%**	**4.0%**	**85**	**184,764**	**98.7%**	**-**
Hotel	Core	Hotel Sunroute Niigata	Niigata-shi, Niigata	31.2	2016	2,108	1.3%	6.2%	4.5%	1	8,255	94.6%	7.7%
	Core	Daiwa Roynet Hotel Akita	Akita-shi, Akita	17.4	2016	2,042	1.2%	5.8%	4.0%	1	7,439	100.0%	4.7%
	Core	Super Hotel Sendai/Hirose-dori	Sendai-shi, Miyagi	16.8	2016	1,280	0.8%	5.9%	4.9%	1	3,284	100.0%	5.9%
	Core	Super Hotel Osaka/Tennoji	Osaka-shi, Osaka	19.8	2016	1,260	0.8%	5.3%	4.8%	1	2,486	100.0%	14.3%
	Core	Super Hotel Saitama/Omiya	Saitama-shi, Saitama	17.3	2016	1,123	0.7%	5.5%	4.3%	1	2,947	100.0%	5.3%
	Core	Super Hotel Kyoto/Karasumagojo	Kyoto-shi, Kyoto	19.8	2016	1,030	0.6%	5.3%	4.7%	1	2,144	100.0%	13.1%
	Core	Ise City Hotel Annex	Ise-shi, Mie	32.0	2018	1,800	1.1%	6.0%	4.8%	1	4,099	100.0%	6.9%
	Core	Comfort Hotel Kitakami	Kitakami-shi, Iwate	14.8	2018	820	0.5%	5.5%	3.3%	2	2,961	100.0%	10.2%
	Core	Hotel Wing International Select Ueno/Okachimachi	Taito-ku, Tokyo	5.6	2018	3,720	2.2%	4.2%	3.6%	1	3,079	100.0%	2.4%
	Core	Smile Hotel Naha City Resort	Naha-shi, Okinawa	35.4	2018	4,000	2.4%	4.4%	3.9%	1	9,698	100.0%	2.5%
	Core	Smile Hotel Hakataeki-Mae	Fukuoka-shi, Fukuoka	6.7	2018	3,800	2.3%	3.6%	3.2%	1	2,433	100.0%	2.7%
	Core	Smile Hotel Nagoya-Sakae	Nagoya-shi, Aichi	15.1	2018	2,950	1.8%	4.2%	3.7%	1	2,909	100.0%	2.6%
		Hotel		**18.9**		**25,933**	**15.6%**	**4.8%**	**4.0%**	**13**	**51,735**	**99.1%**	**-**
Residence	Core	Fiel Johoku	Hamamatsu-shi, Shizuoka	22.7	2023	2,210	1.3%	5.1%	4.4%	1	8,747	100.0%	11.0%
Industrial	New Type	Rokko Island DC	Kobe-shi, Hyogo	7.5	2018	7,996	4.8%	5.4%	4.1%	1	15,563	100.0%	11.3%
	New Type	Odawara Material Storage and Delivery Center (land)	Odawara-shi, Kanagawa	-	2021	2,300	1.4%	4.9%	4.9%	1	16,529	100.0%	-
	New Type	Yokohama-Daikokucho Maintenance Center (land)	Yokohama-shi, Kanagawa	-	2022	1,490	0.9%	3.9%	3.9%	1	3,500	100.0%	-
Educational	New Type	Tokyo Eiseigakuen Senmongakko	Ota-ku, Tokyo	37.6	2020	3,900	2.3%	5.8%	5.1%	1	4,220	100.0%	9.2%
		New Type		**13.2**		**15,686**	**9.4%**	**5.3%**	**4.5%**	**4**	**39,813**	**100.0%**	**-**
		Total		**25.1**		**166,260**	**100.0%**	**4.7%**	**3.8%**	**342**	**377,008**	**98.5%**	**2.8%**

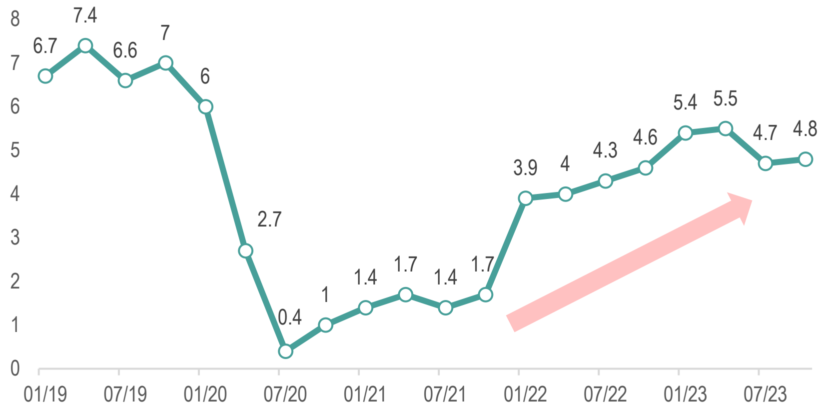
Source: Company

Strategic asset allocation – hotel

As a diversified REIT, MIRAI will continue to maintain diversification in the portfolio by adding more hotels. This move will be beneficial in many aspects; hotels are located across Japan, improving geographical diversification; and NOI improvement for properties with variable rent contracts due to strong inbound demand. Given the continuously weak Yen, we take the view that domestic travel will continue to be a preferred choice for Japanese tourists as well. This will be a key growth driver alongside inbound demand. With that in mind, we believe that the company will acquire budget hotels across Japan more proactively.

RevPAR for variable rent hotels (three existing hotels) shows a positive streak after reopening

RevPAR for variable rent hotels (three existing hotels; ¥ '000))



Source: Company

Higher variable rent ratio for hotel and retail

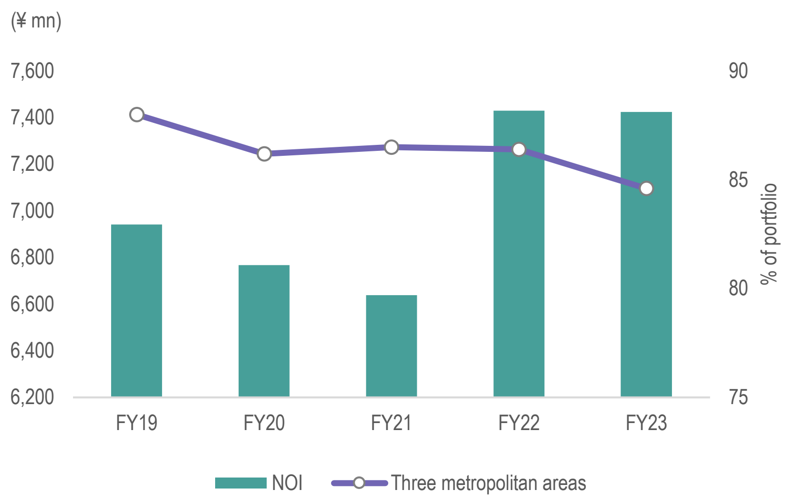
MIRAI has been proactively switching fixed rental contracts to variable contracts on the back of strong inbound and domestic travel demand. For hotels, including the three properties acquired within FP4/24, about 52% have variable rents in place. We believe that the variable rent contract ratio is already significantly higher for retail properties, which partly reflects tenancy periods of about three to five years and hence, the feasibility of rent hikes. Therefore, we believe there is plenty of room for increasing the variable rent ratios, particularly for hotels.

Shifting away from the three metropolitan areas

MIRAI has strategically shifted its allocation away from the three metropolitan areas over the past few years to address excessive office supply in the Tokyo area. As MIRAI sought a better investment environment with a more favorable supply and demand balance and higher NOI yield, it started expanding into regional offices and hotels. Unlike Tokyo, regional areas see a limited supply of new properties on the back of higher construction costs, resulting in higher profitability and stable cash flows. The company sets the minimum exposure to the metropolitan areas as above 70% whilst the current exposure is 83%. Depending on POs in the future, we see room for the metropolitan ratio to decline further, possibly significantly. This would contribute to NAV improvement.

MIRAI's geographical diversification is having a positive impact on NOI

NOI and portfolio weighting of three metropolitan areas



Source: Company

Departure of Mercedes-Benz

It is worth mentioning that the occupancy rate for Shinagawa Seaside Parktower, the second largest asset in its portfolio, suffered temporarily due to the departure of one tenant (Mercedes-Benz), which accounts for about 10% of space at the property. The departure will be completed in May 2024. As a replacement tenant appears to have been secured, the occupancy rate is expected to recover to 94%, which is slightly lower than the historical trend. Considering the attractiveness of the building stemming from office quality and relatively inexpensive rent, we do not believe this event will pose a major risk to stable property management. However, investors seem to view the seaside area in Tokyo as a risky location in response to the recent departures of large tenants in nearby properties managed by other J-REITs.

Generally, MIRAI intends to increase rents across various properties.

- **Office –** Shinagawa Seaside Parktower and Tokyo Front Terrace, which made up 17.3% of the portfolio as of the end of March 2024, are expected to enjoy a rent recovery with the termination of free rents and rent holidays and potential rent increases on the back of improving market environment post-COVID. It is worth noting that office tenancy length tends to be as short as about two years in general. As such, in an inflationary environment, rent hikes can be carried out on a more timely basis.
- **Retail –** MIRAI has successfully implemented a rent hike of 10% at the Shibuya World East Building (1.8% of the portfolio) whilst securing new tenants to replace previous ones that departed after the pandemic. We think urban retail properties will likely continue to be in a favorable environment for rent hikes on the back of robust inbound consumption and positive consumer sentiment.
- **Hotel –** Provided rapid increases in RevPAR thanks to inbound demand as well as a strong appetite for domestic travel by Japanese residents due to the weak Yen. We

see ample room for rent hikes for properties with variable rent contracts. About 52% of properties have variable rent contracts in place, including upside-type contracts where current fixed rents can be revised up if hotel performance exceeds a certain threshold. Even for the remaining 48% of the properties with fixed tenancy contracts without any upside clause, we believe MIRAI will be able to introduce variable rent contracts as existing contracts get reviewed. Four existing properties have tenancy contracts that will expire by 2027, out of a total of eight hotels with fixed rent contracts. Another reason why hotels managed by MIRAI may find it relatively easier to implement rent hikes is the company focuses on smaller, budget hotels. These properties do not command high rental levels compared to resort hotels or full-service hotels. That said, because of construction cost inflation, it has become less feasible to develop such smaller hotels from a budgetary point of view. Therefore, hotel operators will likely be more aggressive in expanding entrusted operations (i.e. signing lease agreements) for existing hotel properties, which should lead to structural upward pressure on hotel rents and existing tenancy contract renewals.

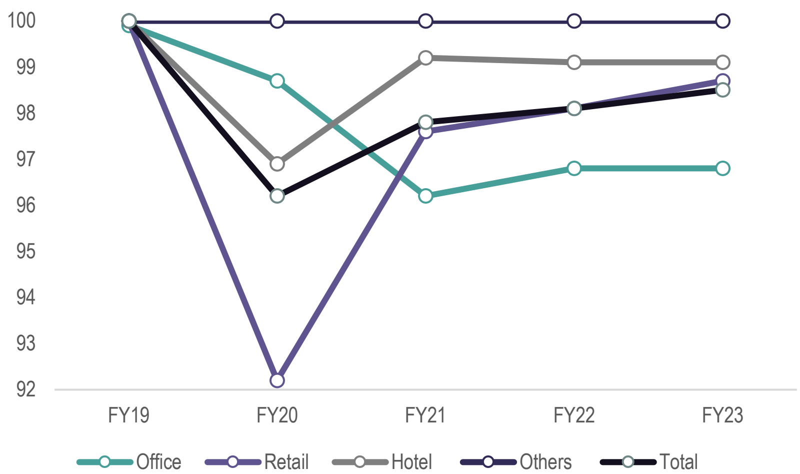
Response to the pandemic

During COVID-19

MIRAI's large office buildings such as Shinagawa Seaside Parktower and Tokyo Front Terrace suffered a decline in occupancy rates because of the partial tenancy termination by the JTB Group, a major Japanese travel agency, from the property due to deterioration in their deteriorating business environment and the introduction of working-from-home by larger corporates. In response, MIRAI offered longer free-rent periods as well as rent holidays to new tenants to retain occupancy rates.

Occupancy rates saw some recovery after COVID but there is still room for further recovery

Occupancy rates by asset type (%)



Source: Company

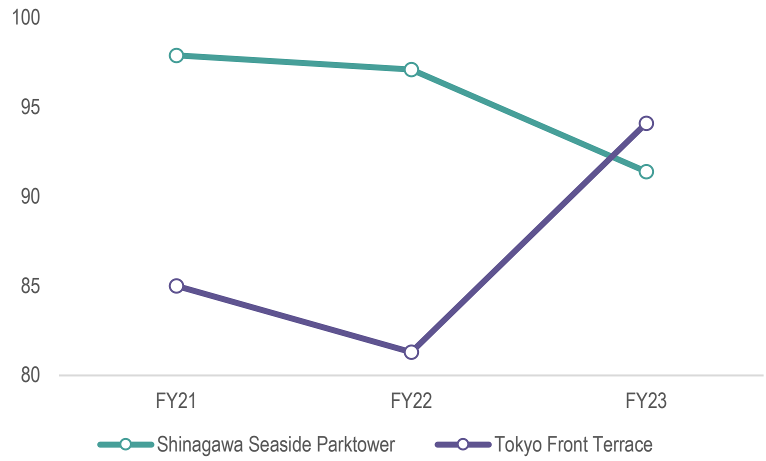
Post COVID-19

As of FY10/23, the occupancy rate for offices recovered to nearly 97% but this was still below the pre-COVID-19 level. However, as of March 2024, the office occupancy rate was 98.6%, close to the FY10/19 level. Likewise, the occupancy rate for retail is in recovery but still below the level seen in FY10/19.

Rent for these larger offices is around ¥15,000-¥16,000 per month, which is below pre-pandemic levels. We believe that MIRAI will be able to increase the monthly rents as the office market continues to recover. At the same time, we believe that MIRAI will be able to terminate the rent holidays and free rents offered for the leasings that were triggered by the pandemic, which should improve profitability. For mid-sized offices, MIRAI has managed to increase monthly rents whilst maintaining occupancy rates.

The departure of JTB Group dragged down the occupancy rate of Tokyo Front Terrace

Occupancy rates of MIRAI's larger office buildings (%)



Source: Company

Peer group analysis

We have selected the following peers to assess MIRAI's returns and valuations:

Domestic companies

Company	Description
Heiwa Real Estate REIT, Inc.	Invests mainly in offices and residentials in the Tokyo and Osaka areas.
Star Asia Investment Corp.	Well-diversified J-REIT, which competed over an acquisition of Sakura Sogo REIT Investment with MIRAI Corporation in 2019.
Ichigo Office REIT Investment Corporation	Focuses on older offices with the age of about 30 years on average in Tokyo and Osaka areas.
Global One Real Estate Investment Corporation	Office-focused J-REIT with multiple sponsors such as Meiji Yasuda Life Insurance Company, Kintetsu Corporation, and Mori Building Co., Ltd.
One REIT. Inc.	Office J-REIT is backed by Mizuho Financial Group.
Tosei Reit Investment Corporation	Tokyo-based J-REIT with the main focus on residential and office buildings.
Marimo Regional Revitalization REIT, Inc.	Invests predominantly in residential and commercial properties across various regions in Japan.

Source: Companies, Bloomberg

This is a customized and limited peer group within the scope of mid-cap, diversified, office J-REITs. We did not include overseas peers as REITs are subject to local market characteristics making like-for-like comparisons difficult.

Core findings

- **Valuations** – The average 1-year dividend yield is 3.8%, which is significantly higher than the JGB 10-year yield and indicates undervaluation. P/NAV also remains below 1x, which makes the sector appealing. The J-REIT with one of the lowest valuations (P/NAV 0.78x, PBR 1.05x) is Global One Real Estate Investment Corporation (8958). We believe its valuations are low due to a concentration of relatively new office buildings with high purchase prices. On the other hand, well-diversified J-REITs such as Tosei Reit Investment Corporation (3451) and Star Asia Investment Corp. (3468) are valued higher in the peer group on P/NAV. We believe this highlights investors' preference for more diversified portfolios. That said, they still appear undervalued on dividend yields.

- **Leverage** – Peer group LTV remains at 53.3%. This indicates that MIRAI with an LTV of 51.0% has a conservative stance on debt policy. Whilst all companies in the peer group have more or less similar levels of LTV, interestingly there are more variations in net debt to EBITDA. For instance, net debt to EBITDA at Ichigo Office REIT Investment Corporation (8975)is the lowest whilst its LTV is the highest in the peer group. Conversely, MIRAI's net debt to EBITDA is the highest whilst its LTV is one of the lowest. This is partly because of the mechanics of net debt to EBITDA, which compares a static (i.e. balance sheet) item to a flow item (i.g. P/L) unlike net debt to equity, which compares two static items. Therefore, as profitability normalizes, the variations in the leverage metrics should revert to the mean over time.

- **Portfolio characteristics:**
    - **NOI yield** - Compared to peers, MIRAI's NOI yield and PML are slightly below the average, indicating that MIRAI's portfolio has more stability.
    - **Diversification** - In comparison with other well-diversified J-REITs such as Star Asia and Marimo, MIRAI is more tilted towards office buildings.

- **Average age of properties** - MIRAI's properties are slightly older than the peer average. This is because it focuses more on mid-sized offices and budget hotels where there is a limited supply of new buildings.
- **Number of tenants** - Compared to its peers, MIRAI has fewer numbers of tenants per property. This shows that MIRAI's properties tend to be smaller than their peers.

Our view is that MIRAI is undervalued. MIRAI looks undervalued both on dividend yield and P/NAV compared to peers. MIRAI trades at 0.87x on P/NAV, which is below the closest comparable J-REITs with more diversified portfolios such as Heiwa Real Estate REIT, Inc. (8966), Star Asia Investment Corp. (3468) and Marimo Regional Revitalization REIT, Inc. (3470). We believe investors may be overlooking the diversification of MIRAI's portfolio and more stable cash flows. From a dividend yield perspective, the 5.1% dividend yield for MIRAI looks undervalued compared to Global One Real Estate Investment Corporation (8958), which lacks portfolio diversification and has a lower NOI yield.

ASTRIS CORPORATE ADVISORY JAPAN

Despite attractive dividend yields, P/NAV remains below 1x in the J-REIT sector
Peer analysis of key profitability and valuation metrics

Company	Valuations Dividend yield (%) 10 Yr Ave Yield	FY1 Yield	FY2 Yield	P/ NAV (x) Reported	10 yr Avg	10 yr St Dev	SD from Mean	PER (x) 12M Fwd	10 yr Avg	10 yr St Dev	SD from Mean	PBR (x) Reported	10 yr Avg	10 yr St Dev	SD from Mean
MIRAI Corporation	5.1	na	na	0.87	0.84	0.30	0.1	na	20.3	8.3	na	0.99	1.07	0.20	(0.4)
Heiwa Real Estate REIT, Inc	4.0	3.2	3.2	0.94	0.96	0.14	(0.1)	37.4	32.6	9.5	0.5	1.36	1.27	0.26	0.4
Star Asia Investment Corp.	5.5	3.8	3.8	0.97	0.87	0.19	0.5	27.0	21.1	5.5	1.1	1.13	1.04	0.09	1.1
Ichigo Office REIT Investment Corporation	4.9	na	na	0.82	0.97	0.14	(1.0)	na	22.4	3.0	na	1.19	1.29	0.16	(0.6)
Global One Real Estate Investment Corporation	4.0	5.6	4.5	0.78	0.74	0.28	0.2	18.7	36.0	11.5	(1.5)	1.05	1.12	0.13	(0.5)
One REIT. Inc.	5.1	na	na	0.92	0.90	0.25	0.1	na	na	na	na	1.15	1.13	0.24	0.1
Tosei Reit Investment Corporation	5.3	na	na	0.95	0.91	0.07	0.5	na	34.3	2.7	na	1.27	1.12	0.10	1.5
Marimo Regional Revitalization REIT, Inc.	5.2	2.5	2.5	0.92	1.00	0.19	(0.4)	46.8	37.5	5.5	1.7	1.23	1.19	0.13	0.3
Average	**4.9**	**3.8**	**3.5**	**0.90**	**0.90**	**0.19**	**(0.0)**	**32.5**	**29.2**	**6.6**	**0.4**	**1.17**	**1.15**	**0.16**	**0.2**

Source: FactSet, Bloomberg, Astris Advisory

KPI and leverage

Company	KPI (%) Occupancy Rate	NOI Yield /Implied Cap Rate	Cap Rate based on BV	NOI Yield After Deprec	FFO Payout Ratio	AFFO Payout Ratio	Leverage LTV(%)	Net debt/ Equity (x)	Net debt/ EBITDA (x)	JCR LT Issuer	JCR Outlook
MIRAI Corporation	98.5	4.0	3.9	3.0	80.0	80.0	51.0	1.0	12.0	A+	POS
Heiwa Real Estate REIT, Inc	97.6	3.5	4.6	3.7	87.6	87.6	54.1	0.8	9.1	AA-	STABLE
Star Asia Investment Corp.	97.9	4.1	4.4	3.6	85.1	84.9	50.9	0.7	8.8	A+	STABLE
Ichigo Office REIT Investment Corporation	95.9	3.8	4.4	3.5	138.5	138.5	56.5	0.9	7.2	A+	STABLE
Global One Real Estate Investment Corporation	96.3	3.6	3.7	2.8	86.9	85.4	50.4	0.9	10.4	AA-	STABLE
One REIT. Inc.	98.7	4.4	4.8	3.8	n.a.	n.a.	54.8	0.9	9.6	A+	STABLE
Tosei Reit Investment Corporation	96.4	5.0	5.6	4.5	75.7	75.7	54.2	0.8	7.9	A	STABLE
Marimo Regional Revitalization REIT, Inc.	99.0	4.4	4.8	4.0	78.3	77.6	54.2	1.0	9.1	A-	STABLE
Average	**97.5**	**4.1**	**4.5**	**3.6**	**90.3**	**90.0**	**53.3**	**0.9**	**9.3**		

Source: FactSet, Bloomberg, Astris Advisory

Portfolio data (1)

Ticker	Company	Key sponsors /shareholders	Year of listing	No. of assets	No. of tenants	Total purchase price (¥bn)	Total GBA (m^2)	Purchase price/asset (¥bn)	GBA/asset	Avg age of properties
3476 JP	**MIRAI Corporation**	**Mitsui & Co.,Asset Management Holdings Ltd (50%), IDERA Capital Management Ltd. (50%)**	**2016**	**43**	**342**	**178**	**393,916**	**4.1**	**9,160**	**26.2**
8966 JP	Heiwa Real Estate REIT, Inc.	HEIWA REAL ESTATE CO., LTD. (100%)	2005	127	5,921	232	263,123	1.4	2,072	23.3
3468 JP	Star Asia Investment Corp.	Star Asia Asset Management LLC. (100%)	2016	71	1,742	244	585,164	2.5	8,242	21.6
8975 JP	Ichigo Office REIT Investment Corporation	Ichigo Inc. (100%)	2005	88	1,008	212	269,107	2.0	3,058	30.6
8958 JP	Global One Real Estate Investment Corporation	Meiji Yasuda Life Insurance Company (10%), Kintetsu Corporation (10%), Mori Building Co., Ltd. (10%)	2003	15	207	209	153,228	11.9	10,215	18.4
3290 JP	One REIT. Inc.	Mizuho Realty One Co.,Ltd. (100%)	2013	32	574	124	256,859	5.6	8,027	33.6
3451 JP	Tosei Reit Investment Corporation	Tosei Corporation (100%)	2014	62	2,469	83	196,171	2.9	3,164	30.2
3470 JP	Marimo Regional Revitalization REIT, Inc.	Marimo Co., Ltd. (100%)	2016	52	1,591	50	230,552	3.4	4,434	15.7
Average			-	**61**	**1,732**	**-**	**-**	**4.2**	**5,981**	**25.0**

Source: Japan-REIT.com, company

Portfolio data (2)

Ticker	Company	Asset Type (%)						Geographic diversification			Other data (%)	
		Office	Residential	Retail	Hotel	Logistics	Others	Tokyo area	Osaka area	Other areas	Probable Maximum Loss (PML)	NOI Yield (NOI/total purchase price)
3476 JP	**MIRAI Corporation**	**50.7**	**1.2**	**21.0**	**18.3**	**4.5**	**4.3**	**57.8**	**14.4**	**27.8**	**2.7**	**4.5**
8966 JP	Heiwa Real Estate REIT, Inc.	47.0	49.6	3.4	-	-	-	73.9	16.6	9.5	3.9	4.9
3468 JP	Star Asia Investment Corp.	31.1	16.1	11.5	28.8	11.6	0.9	63.2	19.7	17.1	n.a.	4.8
8975 JP	Ichigo Office REIT Investment Corporation	97.6	-	2.4	-	-	-	75.9	14.4	9.7	3.4	5.3
8958 JP	Global One Real Estate Investment Corporation	100.0	-	-	-	-	-	75.3	16.5	8.2	1.8	4.0
3290 JP	One REIT. Inc.	100.0	-	-	-	-	-	70.7	19.8	9.5	5.6	5.0
3451 JP	Tosei Reit Investment Corporation	41.0	52.1	6.9	-	-	-	99.1	0.9	-	4.6	6.0
3470 JP	Marimo Regional Revitalization REIT, Inc.	9.5	42.0	33.8	5.0	2.3	7.4	19.0	30.6	50.4	1.3	6.3
Average		**59.9**	**20.1**	**9.5**	**6.5**	**2.3**	**1.7**	**66.9**	**18.3**	**14.9**	**3.3**	**5.1**

Source: Japan-REIT.com, company

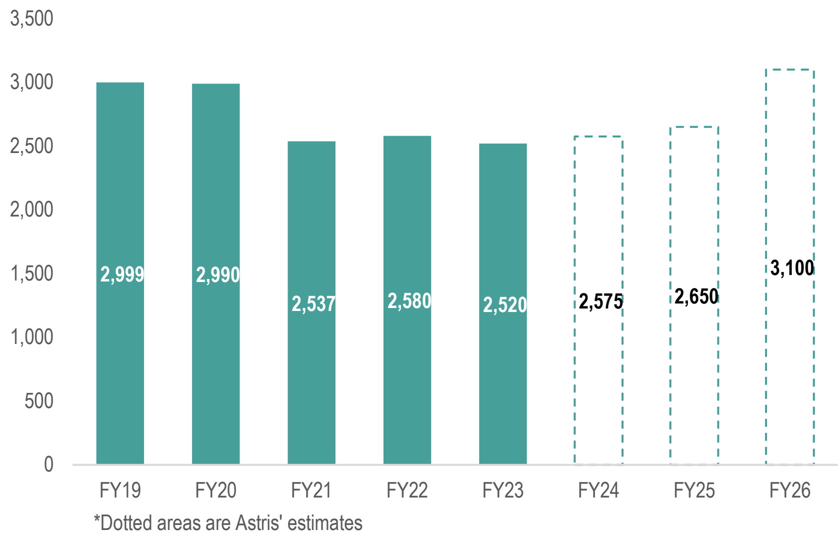
Medium-term plans

POs will be key for NAV and DPU targets

MIRAI is targeting ¥200bn for AUM and a DPU of ¥1,300 (semi-annual) by the end of 2025. Management keeps close track of P/NAV and seems hesitant to raise capital at low valuations. This stance should be positively viewed by investors. However, we also see risks in a continuously low valuation, which could act as a barrier for a PO. Conversely, as the share price recovers, the likelihood of a PO may increase, leading to more acquisition of properties and potential M&A of a peer company in our view.

DPU has declined due to COVID but it is in a recovery trend

Annual MIRAI's DPU (¥)



Source: Company, Astris Advisory

Acquisition of own investment units

MIRAI does not rule out an option to buy back its investment units. This would signal that management regards the unit price as undervalued and potentially improve DPU and NAV/U. The challenge is upward pressure on LTV levels which trend at around 50% currently.

Credit enhancement and M&A

MIRAI has been consistently given an A+ rating by JCR, a Japanese credit agent. Considering the recent AUM expansion and creditworthiness supported by Mitsui & Co's sponsorship, we believe that the possibility of a credit rating upgrade to AA- has increased. Moreover, JCR revised its outlook from stable to positive in February 2024, which also indicates that MIRAI is better positioned for a potential credit rating upgrade. An AA- rating would expand the investment universe and facilitate investments by regional investors who can only invest in J-REITs above an AA credit rating. This would be positive for the investment unit price and future potential POs. Should that be realized, the already reasonably high

MIRAI credit rating would be attractive to other J-REITs that are struggling due to poorer creditworthiness if they decide to consider a merger with MIRAI. The extent of credit enhancement of a target company may vary but past cases of financing led by a J-REIT with JCR's A+ rating suggest a 0.2% reduction in borrowing costs for a target company (assuming that the remaining debt durations are the same). We believe that MIRAI's chances to acquire another REIT will be even higher if its credit rating is upgraded.

DPU will likely increase thanks to internal growth initiatives and inflation

Inflation can increase real estate management expenses but we believe this can be more than offset by the termination of free rents and rent holidays, rent hikes, an improvement of occupancy rates, and higher NAV of the portfolio. This should be positive for DPU overall.

Higher interest rates can negatively impact dividends

Whilst we believe NOI expansion will result in stable dividend payments, higher borrowing costs can hurt J-REIT distributions. However, MIRAI is relatively better-positioned thanks to credit enhancement support from Mitsui & Co, which should mitigate borrowing cost pressure better than at peers.

M&A

MIRAI is considering M&A to augment growth and is likely to be proactive should the right target come along. A potential target would be a J-REIT that has failed to execute external growth and carry out a PO over an extended period or initial sponsorship plans announced at IPO. Another crucial aspect is credit enhancement. A J-REIT with poor creditworthiness could enjoy credit enhancement thanks to Mitsui & Co.

Recent results

FP 10/23 rental income increased but higher other expenses hurt net income

Key financials

(¥bn)	FP 10/22	FP 10/23	YoY (%)
Operating revenue	5.67	5.74	**+1.4**
Real estate expenses	1.83	1.99	+8.8
Net operating income (NOI)	**3.72**	**3.75**	**+0.8**
Other expenses - total	1.51	1.59	+5.4
Tax expense/benefit	0.00	0.01	-
Net income	**2.32**	**2.15**	**-7.4**
DPU	1,313	1,215	-7.5
FFO payout ratio (%)	81.0	75.2	

Source: Company

Inbound demand continued to support growth in hotels whilst offices enjoyed a recovery in occupancy ratio

Per business segment

(¥bn)	FP 10/22	FP 10/23	YoY (%)
Operating revenue	**5.67**	**5.74**	**+1.4**
Office	2.31	2.31	+0.0
Retail	1.18	1.27	+7.5
Hotel	0.67	0.64	-4.2
Residential	-	0.07	-
Others	0.43	0.45	+4.8

Source: Company

Key highlights

FP 10/23 results were mixed. In the office rental market, there is a trend of increasingly going into the office, particularly in the Tokyo metropolitan area. Therefore, the occupancy rate in large-scale offices in the Tokyo area increased in the previous period. Since this normalization impact was already incorporated, the occupancy rate has remained flat. Hotel properties continued to see benefits from inbound demand but performance declined YoY because a property in Naha, which had been fully utilized as a facility for the treatment of mild COVID-19 cases, returned to normal operation. Retail showed a positive result YoY with rental income growth from Mi Nara, which achieved the highest level of rent on record.

Astris earnings estimates and key assumptions

Our current earnings estimates conservatively reflect slow growth in FY10/25 due to downward pressure on office rents inflected by the excessive supply of new large offices in Tokyo in 2025. However, we expect a strong recovery in FY10/26 on the back of the normalization of the large-scale office market and positive impacts associated with the termination of free-rent and rent holidays, improvement of occupancy rates, and rent hikes across various types of properties.

Our key earnings forecasts are as follows:

Astris Advisory earnings estimates

Year-end	FY10/24E	FY10/25E	FY10/26E
Revenue (¥bn)	**12.85**	**13.25**	**14.67**
Growth YoY (%)	+6.6	+3.1	+10.7
	+6.6	+3.1	+10.7
NOI (¥bn)	**7.64**	**7.92**	**9.02**
NOI growth YoY (%)	+2.9	+3.6	+13.9
NOI Margin (%)	59.5	59.8	61.5
NP (¥bn)	**4.80**	**4.98**	**5.67**
NP growth YoY (%)	+4.4	+3.6	+13.9
EPU (¥)	**2,711**	**2,810**	**3,200**
EPU growth YoY (%)	+4.4	+3.6	+13.9
DPU (¥)	**2,575**	**2,650**	**3,100**
DPU growth YoY (%)	+2.2	+2.9	+17.0

Source: Astris Advisory

The core assumptions of our estimates are as follows:

- **Revenue growth** – single-digit revenue growth expectations in FY10/24 and FY10/25 followed by double-digit growth in FY10/26. We believe that internal growth from office operations will be the most important driver for the growth given that more than 50% of the portfolio consists of offices.
- **Profitability** – a gradual improvement in NOI margin with increasing revenue YoY; internal growth will drive a margin recovery.
- **DPU** – the company is guiding a ¥1,300 (semi-annual) DPU target for the current medium-term management plan ending in FY10/25. We estimate internal growth will lead to DPU expansion.

Company information

MIRAI Corporation Management (3 members, 0% female ratio, 67% outside members) (As of 31 March 2024)

Executive Director	Michio Suganuma
Number of shares held	-
Career history	
April 1989	Joined Long-Term Credit Bank of Japan Co., Ltd. (Now SBI Sumishin Net Bank, Ltd.)
March 2002	Real Estate Finance Department (same company)
November 2006	Joined Mitsui & Co., Ltd., Financial Products Department, Structured Finance Division
April 2007	REIT Department, Financial Products Department (same company)
July 2007	Head of Asset Management Department, Mitsui & Co., Realty Management Co., Ltd.
January 2009	Director, Head of Asset Management Department, (same company)
September 2016	Mitsui & Co., Asset Management Holdings Co., Ltd. President, Mitsui & Co., IDERA Partners Co., Ltd. (Current)
September 2016	Executive Director, MIRAI Corporation (Current)

Supervisory Director	Takahiko Negishi
Number of shares held	-
Career history	
May 2001	Joined Hamada Matsumoto Law Firm (Now Mori Hamada & Matsumoto Law Firm)
July 2010	Joined Masuda Partners Law Firm
April 2012	Mitsui & Co., Logistics Partners Co., Ltd. External Specialist, Internal Control Committee (Current)
September 2016	MIRAI Corporation, Supervisor (Current)
January 2017	Joined Vanderfalke Law Firm (Current)
October 2021	Mitsui & Co., Digital Asset Management Co., Ltd. External Member, Compliance Committee (Current)

Supervisory Director	Hidehiro Nishii
Number of shares held	-
Career history	
November 1995	Joined Yubiki Accounting Center Co., Ltd.
April 2003	Shin Nihon Audit Corporation (Now EY Shin Nihon LLC)
June 2003	Azusa Audit Corporation (Now Azusa Audit LLC)
July 2005	KPMG Tax Corporation
November 2012	Hidehiro Nishii Certified Public Accountant & Tax Accountant Office
April 2015	Axel Partners Co., Ltd. President (Current)
December 2015	IDERA REIT Investment Corporation (Now MIRAI Corporation) Supervisor Director (Current)

Management from senior officers from Mitsui & Co and IDERA Capital Management (7 members, 0% female ratio, 43% outside members) (As of 31st March 2024)

President and CEO	Michio Suganuma
Number of shares held	-
Career history	
April 1989	Joined Long-Term Credit Bank of Japan Co., Ltd. (Now SBI Sumishin Net Bank, Ltd.)
March 2002	Real Estate Finance Department (same company)
November 2006	Joined Mitsui & Co., Ltd., Financial Products Department, Structured Finance Division
April 2007	REIT Department, Financial Products Department (same company)
July 2007	Head of Asset Management Department, Mitsui & Co., Realty Management Co., Ltd.
January 2009	Director, Head of Asset Management Department, (same company)
September 2016	Mitsui & Co., Asset Management Holdings Co., Ltd. President, Mitsui & Co., IDERA Partners Co., Ltd. (Current)
September 2016	Executive Director, MIRAI Corporation (Current)

Representative Director Senior Vice President, CIO	Hironori Iwasaki
Number of shares held	-
Career history	
April 1996	Joined Yamada Construction Co., Ltd.
September 2005	Joined Globance Co., Ltd.
July 2006	Head of Acquisition Division (same company)
December 2007	Executive Officer, Head of Acquisition Division (same company)
August 2008	Joined Atlas Partners Co., Ltd. (Now IIDERA Capital Management Co., Ltd.)
December 2010	Head of Real Estate Asset Management Department (same company)
June 2011	Executive Officer, Head of Real Estate Asset Management Department (same company)
May 2012	First Group Leader of Asset Management, IDERA Capital Management Co., Ltd.
September 2012	First Group Leader, Asset Management Department, IDERA Capital Management Co., Ltd., concurrently Deputy Department Head, Director
August 2015	Director, Head of Investment Operations Department, IDERA Asset Management Co., Ltd. (Now Mitsui & Co., IDERA Partners Co., Ltd.)
September 2016	Head of Investment Operations Department, Mitsui & Co., IDERA Partners Co., Ltd.
January 2018	Director, Head of Investment Operations Department, (same company)
April 2019	Senior Executive Vice President, CIO, same company (Current)

Director, CFO, and General Manager of Operations	Shinkan Ueda
Number of shares held	-
Career history	
April 1997	Joined Mitsui & Co., Ltd.
November 2000	Mitsui & Co. (Shanghai) Ltd.
April 2002	Mitsui & Co., Ltd.
June 2003	Mitsui & Co. (Guangdong) Ltd.
July 2007	Mitsui & Co., Ltd.
November 2019	Mitsui & Co., Asset Management Holdings Co., Ltd. General Manager of Operations
December 2020	Head of Business Strategy Department and General Manager of Operations (same company)
November 2022	Deputy General Manager, Business Department, Mitsui & Co., IDERA Partners Co., Ltd.
November 2022	Director, CFO, and General Manager of Operations, same company (Current)

Director Head of Investment Operations	Tomoki Kohara
Number of shares held	-
Career history	
April 1999	Joined Nissho Iwai Corporation (Now Sojitz Corporation)
February 2007	Morgan Stanley Properties Japan Co., Ltd. (Now Morgan Stanley Capital Co., Ltd.)
April 2013	Hulic Co., Ltd. Hulic REIT Management Co., Ltd. Deputy Head of Investment Operations
January 2018	Star Asia Management Japan Limited, Tokyo Branch Director
March 2018	Star Asia Investment Advisory Co., Ltd. Director and Head of Investment Operations
August 2020	Star Asia Management Japan Limited, Tokyo Branch Director
May 2022	IDERA Capital Management Co., Ltd. Director
June 2022	Mitsui & Co., IDERA Partners Co., Ltd. Deputy Head of Investment Operations
July 2022	Director, Head of Investment Operations (same company) (Current)

Director (Non-executive)	Tamotsu Hagino
Number of shares held	-
Career history	
April 1990	Joined Mitsui & Co., Ltd.
April 1995	Development Department, Development Project Division, same company
August 1995	Trainee in Indonesia (in Jakarta), same company
August 1996	Jakarta Office (same company)
July 1998	China Branch Office (same company)
April 2003	Urban Development Business Division, Service Business Department, same company
April 2004	Japan Real Estate Asset Management Co., Ltd.
February 2006	Consumer Services Business Department, Urban Development Business Division, Mitsui & Co., Ltd.
April 2010	MBK REAL ESTATE Holdings Inc., Senior Vice President (based in California, USA)
January 2014	Business Coordination Department, Mitsui & Co., Ltd.
March 2015	Consumer Services Business Division, Business Support Section Chief, concurrently Investment General Coordination Office, Business Coordination Department (same company)
July 2016	Urban Development Business Division, Consumer Business Headquarters, Fourth Overseas Development Section Manager, same company
October 2017	MBK REAL ESTATE ASIA PTE LTD., Chief Administrative Officer (based in Singapore)
May 2019	President, Mitsui & Co., Asset Management Holdings Co., Ltd. (Current) Director (Non-executive), Mitsui & Co., Realty Management Co., Ltd. (Current) Director (Non-executive), Mitsui & Co., Logistics Partners Co., Ltd. (Current) Director (Non-executive), Mitsui & Co., IDERA Partners Co., Ltd. (Current)
April 2020	Director, Mitsui & Co., Digital Asset Management Co., Ltd.

Director (Non-executive)	Seiji Takeuchi
Number of shares held	-
Career history	
April 1999	Joined The First Bank of Mitsui (Now Mizuho Bank, Ltd.)
December 2007	MK Capital Management Co., Ltd. (Now IDERA Capital Management Co., Ltd.)
January 2019	Nisshin LLC, Business Executive Officer (Current)
September 2019	IDERA Capital Management Co., Ltd. Head of Acquisition Department
April 2022	Senior Executive Vice President and Head of Acquisition Department (same company)
April 2023	President (same company) (Current)

Auditor (Non-executive)	Jun Notoya
Number of shares held	-
Career history	
April 1986	Joined Mitsui & Co., Ltd.
June 1997	TRI-NET LOGISTICS (ASIA) Pte. Ltd.
November 2002	Mitsui & Co., Ltd.
April 2005	TRI-NET LOGISTICS (EUROPE) GmbH
October 2006	MITSUI & CO. DEUTSCHLAND GmbH
April 2008	MITSUI & CO. EUROPE PLC
November 2009	Mitsui & Co., Ltd.
July 2012	Mitsui & Co., Human Resources Development Co., Ltd. President
July 2013	Mitsui & Co., Ltd.
June 2023	Mitsui & Co., Asset Management Holdings Co., Ltd. Auditor (Current) Mitsui & Co., Realty Management Co., Ltd. Auditor (Non-executive) (Current) Mitsui & Co., Logistics Partners Co., Ltd. Auditor (Non-executive) (Current)

Source: Company

Contact details

Address
Tokyo Office
2-1, Nishi-Kanda 3-chome, Chiyoda-ku, Tokyo, Japan
Investor Relations Dept.:
Tel: +81-3-6632-5960

Source: Company

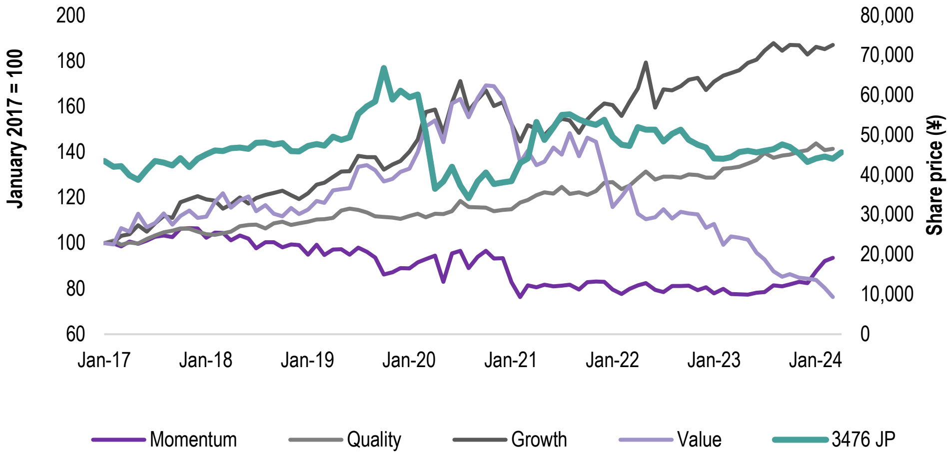
Unitholder details by the number of units (as of October 2023)

Major shareholders	Stake (%)
Custody Bank of Japan, Ltd. (Trust account)	14.2
The Master Trust Bank of Japan, Ltd. (Trust account)	11.9
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	5.0
JP MORGAN CHASE BANK 385771	1.7
STATE STREET BANK WEST CLIENT - TREATY 505234	1.6
MITSUI & CO. ASSET MANAGEMENT HOLDINGS LTD.	1.1
IDERA Capital Management Ltd.	1.1
SSBTC CLIENT OMNIBUS ACCOUNT	1.0
SMBC Nikko Securities Inc.	0.9
JAPAN SECURITIES FINANCE CO., LTD.	0.9

Source: Company

Astris Quant Sheet

Share price chart and factor analysis (from January 2017)



Source: FactSet

Factors	1 Year Corr	3 Year Corr	Since IPO
Momentum: 12 Month - 1 Month Performance	0.09	0.31	0.03
Quality: Free Cash Flow Yield	-0.06	0.15	0.07
Growth: Operating Profit Growth	0.26	0.16	-0.01
Value: Book to Market	0.08	-0.12	-0.10

Source: FactSet

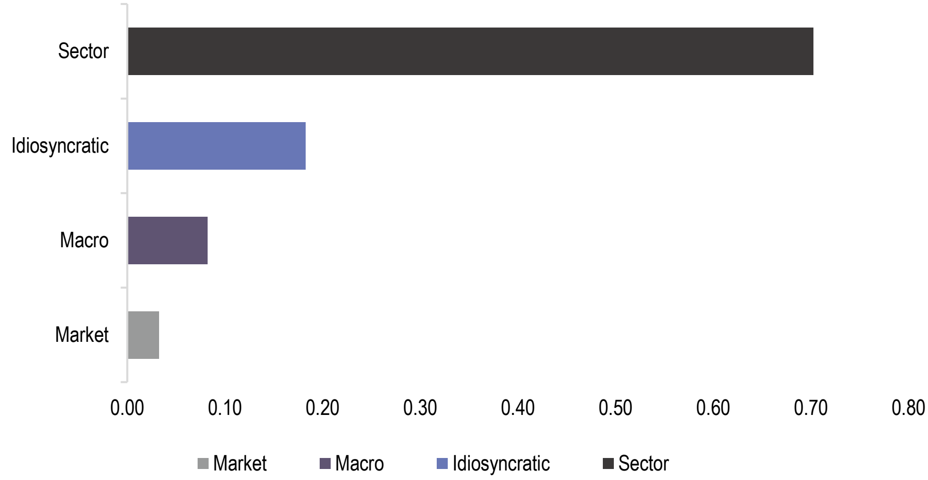
MIRAI Corporation exhibits moderate momentum factor correlation over the medium term. However, its correlation with other standard equity factors is negligible.

Calculation method and definition of factors in the time series

Universe	
TOPIX500	
Factor return calculation	
Quartile Range Analysis: Calculate the element return by subtracting the average performance of the lower quartile from the average performance of the upper quartile for each element forecasted for one month. This analysis is repeated monthly without considering transaction costs.	
Factor	
Momentum	
1-month return	
12-month return	Subtracting the most recent 1 month
Quality	
FCF yield (estimate)	
Growth	
Operating profit growth (estimate)	
Value	
Book-to-Market ratio (actual)	

Source: FactSet

Drivers of stock price performance and multiple regression analysis (since January 2017)



Source: FactSet

The company is significantly influenced by sector conditions, with sector factors accounting for over 70% of its price movements. The impact of idiosyncratic influences outweighs the macro and broad market impacts.

Calculation method for multiple regression analysis

Multiple regression analysis
Perform regression analysis including all drivers, and conduct individual regression analysis by excluding one driver at a time. To quantify the specific impact of each driver, calculate the partial coefficient of determination (partial R-squared value) using the formula: (Residual Sum of Squares from regression analysis including all drivers - Residual Sum of Squares from regression analysis excluding one driver) / Residual Sum of Squares from regression analysis excluding one driver.

Source: FactSet

Multiple regression analysis results

Factors	1Y Corr	3Y Corr	Since IPO
Market			
Topix 1st Section	0.22	0.14	0.48
Tokyo Stock Exchange REIT	0.52	0.47	0.73
Nikkei High Yield REIT	0.58	0.52	0.80
Topix Small Cap Index	0.05	0.07	0.46
MSCI Japan	0.22	0.16	0.47
Sector			
MSCI Japan Real Estate	0.50	0.25	0.64
Macro			
10Y JGB	0.22	-0.38	0.05
CPI Nationwide	-0.47	-0.09	-0.03
Japan Housing Starts	0.52	0.28	0.08
Tokyo Condo: Avg Price per Sq Meter	-0.61	-0.22	0.02
Tokyo Condos for Sale	0.38	0.03	-0.07
Eco Watchers Outlook	-0.21	0.02	0.33

Source: FactSet

Sector correlations are the highest, consistent with the drivers' analysis. With a relatively high dividend yield of over 5%, it is unsurprising that Mirai Corp exhibits the highest correlation of 0.80 with the Nikkei High Yield REIT index.

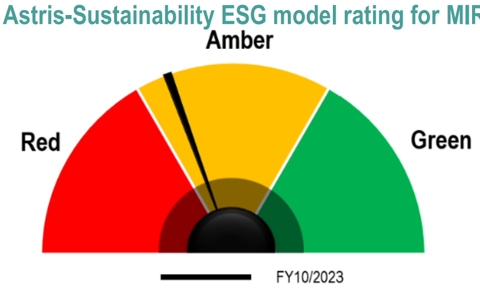
Astris-Sustainability ESG assessment

Ratings and scorecard

Our in-house Astris-Sustainability ESG model rates MIRAI with a combined score of 38.2%, placing it in the 'Amber' rating of our assessment in FY10/23.

Our in-house methodology* takes what we have selected as core measurable ESG factors, ranking its performance versus its domestic GICS Equity Real Estate Investment sector with a market capitalization between ¥25bn to ¥500bn (a total of 49 companies).

Astris-Sustainability ESG model rating for MIRAI Corporation



Source: Astris Advisory (*Note – for details of our in-house rating system please contact Astris Corporate Advisory)

ESG scorecards

	FY10/23
Environmental (3 factors from a selected peer group)	
Astris Environmental score	**44.50**
Social (7 factors from a selected peer group)	
Astris Social score	**48.54**
Governance (37 factors from a selected peer group)	
Astris Governance score	**19.54**
TOTAL SCORE (Out of a total of 47 factors)	**38.2**

Source: Company, FactSet, Astris Corporate Advisory

Our methodology has highlighted the following key topics:

Environmental

MIRAI has disclosed CO_2 emissions for scopes 1,2 and 3 alongside other numerical data for energy and water usage as well as waste. Whilst the company sets a target to reduce CO_2 emissions and energy consumption by 5% respectively throughout April 2021 and March 2026, it has not disclosed specific net zero targets as yet. As for waste management, the recycling rate is 32% for all properties owned by MIRAI. It is worth noting that MIRAI has thoroughly assessed and disclosed both transition and physical risks.

Social

The company has outlined policies in the following areas:

- To develop diverse human resources, all of whom gain fulfillment from their work.
- Standards for sustainable procurement have been in place, which stipulate the compliance of laws and regulations on local and International levels. The standards reflect human rights protection concerning forced labor, child labor, discrimination, occupational health, and safety among others.

- The staff training program includes compliance, sustainability, and management training among many others. These trainings are provided both by MIRAI and its sponsors. In addition, the company supports the acquisition of professional qualifications for employees' career development.

The company also discloses numerical data for various metrics such as female ratio, staff turnover, and staff satisfaction rate.

Governance

The corporate governance system at MIRAI Corporation is organized in the following manner:

- **Board of directors** – comprised of Executive Director Michio Suganuma and two full-time Supervisory Directors.
- **Compliance Committee** – the committee is convened by the Compliance Officer, who acts as chairperson and is held at least once every three months in principle. The committee is composed of the Compliance Officer, Representative Director President, Representative Director Executive Vice President & CIO, Executive Director CFO, and outside committee members (attorneys with no vested interest).
- **Corruption and fraud prevention policy** has been implemented, which includes Rules for Prevention of Insider Trading" and "Guidelines for Handling Corporate Relationship Information "

Controversies

We note we have been unable to find major controversies that may have significant financial or reputational repercussions for the company and its shareholders.

Areas of discussion

Highlighting key topics for investors

We believe the following will be key areas for discussion with investors:

1. PO (public offering)
    a. What is the size of the next PO you have in mind?
    b. Timing?
    c. What type of properties will you acquire?
2. Rental income
    a. How much do you plan to increase rents for each property type?
    b. How much do you think you can increase the variable rent ratio?
3. M&A
    a. How much credit enhancement do you expect after an acquisition?
    b. What is the timing of M&A?
4. Asset acquisition
    a. Which New Type of assets will you increase your exposure to?
    b. What is the target weighting of New Type assets in your portfolio over the next 3 years?

Financial Summary

Income statement (¥bn)	FY 10/22	FY 10/23	FY 10/24E	FY 10/25E	FY 10/26E
Operating revenue	**10.94**	**12.05**	**12.85**	**13.25**	**14.67**
Real estate expenses	3.40	4.00	5.21	5.33	5.65
Net operating income (NOI)	**7.43**	**7.43**	**7.64**	**7.92**	**9.02**
NOI margin (%)	67.9	61.6	59.5	59.8	61.5
Depreciation expense	1.30	1.39	1.48	1.53	1.69
Other operating expenses	1.08	1.16	0.72	0.75	0.91
Interest & other expenses	0.59	0.60	0.52	0.55	0.58
Tax expense/benefit	0.00	0.08	0.02	0.02	0.02
Net income	**4.57**	**4.60**	**4.80**	**4.98**	**5.67**
Sales growth YoY (%)	+8.5	+10.2	+6.6	+3.1	+10.7
NOI growth YoY (%)	+11.9	-0.1	+2.9	+3.6	+13.9
NP growth YoY (%)	+8.4	+0.7	+4.4	+3.6	+13.9
EPU growth YoY (%)	+1.7	+0.7	+4.4	+3.6	+13.9
DPU growth YoY (%)	+1.7	-2.3	+0.9	+3.6	+14.1

Cash flow statement (¥bn)	FY 10/22	FY 10/23	FY 10/24E	FY 10/25E	FY 10/26E
FFO	5.76	5.37	5.70	5.91	6.70
Capital expenditure	(11.79)	(11.22)	(7.71)	(7.95)	(8.80)
Cash from investing	(11.44)	(11.13)	(7.71)	(7.95)	(8.80)
Dividends paid	(4.38)	(4.64)	(4.56)	(4.69)	(5.49)
Cash from financing	5.86	(3.14)	1.24	0.05	2.33
Net cash flow	2.26	(1.49)	0.52	(0.89)	2.62
Free cash flow	(3.95)	1.56	(0.72)	(0.93)	0.29
EBITDA	6.46	6.68	6.92	7.17	8.11

Balance sheet (¥bn)	FY 10/22	FY 10/23	FY 10/24E	FY 10/25E	FY 10/26E
Real estate portfolio	164.67	167.80	174.03	180.45	187.56
Cash and cash equivalents	4.51	3.00	3.52	2.63	5.25
Accounts &notes receivables	0.26	0.26	0.27	0.28	0.31
Other long-term assets	0.72	1.05	1.05	1.05	1.05
Restricted assets	2.63	2.64	2.64	2.64	2.64
Total assets	**172.79**	**174.75**	**181.52**	**187.06**	**196.82**
Accounts payables	0.71	0.74	0.96	0.99	1.04
Short-term liabilities and deposit	7.06	7.00	7.50	8.00	9.70
Unsecured debt	84.00	85.50	91.38	96.04	103.86
Secured debt	0.00	0.00	00.00	00.00	0.00
Other long-term liabilities	0.00	0.12	0.12	0.12	0.12
Total liabilities	**91.76**	**93.35**	**99.88**	**105.14**	**114.72**
Minority interest	0.00	0.00	0.00	0.00	0.00
Shareholder equity	81.03	81.39	81.63	81.92	82.10
Total equity	81.03	81.39	81.63	81.92	82.10
Total liabilities & equity	**172.79**	**174.75**	**181.52**	**187.06**	**196.82**

Key metrics	FY 10/22	FY 10/23	FY 10/24E	FY 10/25E	FY 10/26E
P/NAV (x)	0.89	0.87	0.81	0.80	0.67
P/E (x)	17.52	17.56	16.82	16.23	14.25
Dividend yield (%)	5.5	5.7	5.6	5.8	6.8
AFFO yield (%)	7.1	6.4	7.1	7.3	8.3
EPU	2,579	2,597	2,711	2,810	3,200
DPU	2,580	2,520	2,575	2,650	3,100
FFO Payout ratio (%)	79.4	80.0	80.0	79.5	82.0
AFFO Payout ratio (%)	79.4	80.0	80.0	79.5	82.0
FFO per unit	3,250	3,149	3,219	3,334	3,780

Source: Company, Astris Advisory (estimates)

Disclaimers

This report has been prepared by Astris Advisory Japan K.K. This report is based on information obtained from public sources that Astris Advisory Japan K.K. believes to be reliable but which Astris Advisory Japan K.K. has not independently verified, and Astris Advisory Japan K.K. makes no guarantee, representation, or warranty as to its accuracy or completeness. This report does not and does not attempt to, contain everything material which there is to be said about the Company. Any opinions expressed herein reflect Astris Advisory Japan K.K.'s judgment at the time the report was prepared and are subject to change without notice. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of their subject matter to be materially different from current expectations.

This report has been prepared as general information, is therefore not intended as a personal recommendation of particular financial instruments or strategies, and does not constitute personal investment advice.

The analyst hereby certifies that (i) the views expressed in this report accurately reflect the research analyst's personal views about the company and the securities that are the subject of this report, and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to views expressed by that research analyst in this report.

The report has been prepared by Astris Advisory Japan K.K., a Japanese firm organized under the laws of Japan and supervised by the Japanese Financial Services Agency. Details about the extent of our regulation by local authorities are available from us upon request.

Conflict of interest

This report has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II.

Readers should assume that Astris Advisory Japan K.K. may currently or may in the coming three months and beyond be providing or seeking to provide IR/corporate advisory or other services to the company.

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