

March 5, 2021

For Immediate Release

Real Estate Investment Trust:

MIRAI Corporation

Michio Suganuma, Executive Director

(Securities Code: 3476)

Asset Management Company:

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Notice Concerning Disposition of Real Estate Trust Beneficiaries in Japan
(“Hillcoat Higashi-Shinjuku” and “Nippo Hommachi Building”)

Mitsui Bussan & IDERA Partners Co., Ltd. (hereinafter the “Asset Manager”), the asset management company of MIRAI Corporation (hereinafter “MIRAI”) announces that MIRAI has decided to make disposition (hereinafter the “Disposition”) of assets as follows.

1. Overview of the Disposition

Name of the Asset to be Disposed	Hillcoat Higashi-Shinjuku (Note 1)	Nippo Hommachi Building (Note 1)
Agreement Date (Note 2)	March 5, 2021	
Disposition Date (Note 3)	March 26, 2021	
Disposition Price (A) (Note 4)	4,380 million yen	1,700 million yen
Book Value (B) (Note 5)	4,022 million yen	1,589 million yen
Difference between (A) and (B) (Note 6)	357 million yen	110 million yen
Buyers	Not disclosed (Note 7)	Hide Inter One Co., Ltd.
Settlement Method	The entire amount will be received and delivered on the Disposition Date.	10 million yen will be received as up-front payment on the Agreement Date and the remaining amount will be received and delivered on the Disposition Date.
Brokerage	Yes (The broker is not an interested party of MIRAI or the Asset Manager.)	

(Note 1) Hereinafter the “Assets to be Disposed”.

(Note 2) “Agreement Date” is the signing date of the sale and purchase agreement with the buyer.

(Note 3) “Disposition Date” is the date stated on the sale and purchase agreement as scheduled date of disposition.

(Note 4) “Disposition Price” shows the sale and purchase value of the Assets to be Disposed that is stated in the sale and purchase agreement entered with the buyer. The sale and purchase value does not include national or local consumption tax or expenses necessary for the disposition, and it is rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 5) “Book Value” is the assumed book value at the disposition date rounded off to the nearest million yen. Renewal of equipment etc., is planned within a certain period following the transfer of the Assets to be Disposed of paid by MIRAI, and the value includes the construction cost related to the renewal.

(Note 6) It is a reference value calculated as the difference between Disposition Price and Book Value, which differs from the profit and loss on disposition.

(Note 7) “Not disclosed” due to the absence of the buyer’s consent.

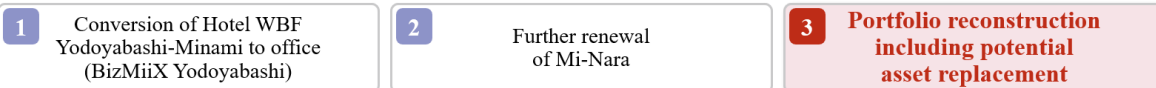
2. Reasons for the Disposition

Points

- **Asset replacement project that improves “defensiveness and profitability” of the portfolio (4th action)**
- **Older assets with operational challenges were disposed of at higher price than the appraisal value.**
- **Plan to acquire “defensive” asset that responds to the post-COVID-19 market using the disposition proceeds.**

MIRAI suspended the expanded mid-term management plan “Repower 2020-ER” given the impact of novel coronavirus (COVID-19) and announced “MIRAI Revitalization Plan” to construct a portfolio that matches the post-COVID-19 market and to recover and grow DPU in “Investor Presentation for Fiscal Period ended April 30, 2020 (8th Fiscal Period)” dated June 16, 2020. One of the challenges MIRAI focuses on under the “MIRAI Revitalization Plan” is the portfolio reconstruction including potential asset replacement and MIRAI aims to create more solid portfolio leveraging on the strength as diversified REIT while keeping in mind the maximization of unitholder value (pursuit of growth) and the combination of more defensive asset types. MIRAI plans to conduct a few asset sale and purchase transactions in order to reconstruct the portfolio and the Disposition is an action following the disposition of “Comfort Hotel Shin-Yamaguchi” and the acquisition of “Odawara Material Storage and Delivery Center (land)” announced in November 2020, and the acquisition of “TCA Building” announced in January 2021, and under the asset replacement project.

Overview of MIRAI Revitalization Plan (~Mid 2021)



(Note) Progress of Conversion of Hotel WBF Yodoyabashi-Minami to office and Further renewal of Mi-Nara are as stated in Presentation Material for Fiscal Period Ended October 31, 2020 (9th FP) dated December 15, 2020 and “Notice Concerning Completion of Conversion Work of Hotel to Office (BizMiiX Yodoyabashi)” dated January 29, 2021. The conversion work of BizMiiX Yodoyabashi has completed in January 2021 and the tenants have already started to move in. Furthermore the actions in Further renewal of Mi-Nara are progressing in line with the MIRAI Revitalization Plan such as review of tenant mix, etc.

Under the portfolio reconstruction policy under the “MIRAI Revitalization Plan”, MIRAI has planned to consider assets with lower profitability than the portfolio average or assets with risk of being impacted by COVID-19 as potential replacement target. MIRAI received the intention of acquisition from the buyers and decided on the Disposition based on the comprehensive view of the strategy stated above, long-term portfolio strategy as well as the Disposition Price. Below are the main points that are considered upon the Disposition.

- Assets to be disposed of are both over 30 years old and faced challenges such as renewal and repair work of certain size to be expected in the medium term and as well as lower profitability compared to the portfolio average (Hillcoat Higashi-Shinjuku).
- Expected to secure 344 million yen (Note) of disposition gain through disposition at above appraisal value.
- Plan to utilize the disposition proceeds for asset replacement project (asset acquisition) currently under contemplation. It was deemed that the disposition and the future acquisition will lead to improvement of “defensiveness and profitability” of the portfolio.

(Note) Above are estimated figures as of today and subject to revision due to changes in the future disposition process.

(Reference) Price and Profitability of Assets to be Disposed

Name	Acquisition Price (million yen)	Appraisal Value (million yen)	Disposition Price (million yen)	Disposition Gain (million yen)	NOI Yield (Note)	NOI Yield after Depreciation (Note)
Hillcoat Higashi-Shinjuku	3,900	4,040	4,380	283	3.4%	3.0%
Nippo Hommachi Building	1,465	1,620	1,700	60	5.0%	4.2%
Total/Average	5,365	5,660	6,080	344	3.9%	3.3%

(Note) Figures are based on the book value based on actual results for the fiscal period ended October 2020 (annualized).

Under the “MIRAI Revitalization Plan”, MIRAI embarked on a project to convert a hotel into an office. **Ratio of Hotel (based on the acquisition price) is expected to be lowered to a certain level through asset replacement project including the Disposition and the completion of the conversion project compared to 19.0% as of end of Fiscal Period ended April 30, 2020 (the 8th Fiscal Period), prior to the announcement of “MIRAI Revitalization Plan”.**

In parallel to the Disposition, **acquisition of “defensive asset type” is being considered** and the acquisition is to utilize the disposition proceeds.

Points of Portfolio Reconstruction




Acquisition

- Defensive assets
- Assets with long-term upside potential
- “Utility Assets” (Note)

Disposition

- **Assets with lower profitability than the portfolio average**
- Assets with risk of being impacted by COVID-19

(Note) Utility Assets refer to mixed use assets located near central urban area which can attract service sector tenant and can be converted to satellite office.

	Acquisition		Disposition		
Name	 TCA Building	 Odawara Material Storage and Delivery Center (land)	 Comfort Hotel Shin-Yamaguchi	 Hillcoat Higashi-Shinjuku	 Nippo Hommachi Building
Asset Type	Office (Utility Asset)	Industrial (New Type)	Hotel (Core)	Office (Core)	Office (Core)
Address	Osaka-shi, Osaka	Odawara-shi, Kanagawa	Yamaguchi-shi, Yamaguchi	Shinjuku-ku, Tokyo	Osaka-shi, Osaka
Acquisition / Disposition Date	January 28, 2021	March 1, 2021	November 30, 2020	March 26, 2021	March 26, 2021
Acquisition / Disposition Price	2,120 million yen	2,300 million yen	920 million yen	4,380 million yen	1,700 million yen
NOI Yield after Depreciation (Note)	3.8%	4.9%	3.9%	3.0%	4.2%
	Total Acquisition Price 4,420 million yen		Total Disposition Price 7,000 million yen		
	Average NOI Yield after Depreciation 4.4%		Average NOI Yield after Depreciation 3.4%		

(Note) The figures of acquisition are calculated based on the acquisition price to the appraisal NOI and the figures of disposition are calculated based on the book value to actual results for the fiscal period ended October 2020.

3. Details of the Assets to be Disposed

Details of the Asset to be Disposed are as stated in Annual Securities Reports “Part 1: Fund Information / [1] Fund Overview / 5 Operating Conditions / (2) Investment Assets” dated on January 29, 2021, prepared by MIRAI (Japanese language only).

4. Overview of the Real Estate Appraisal Report

<Hillcoat Higashi-Shinjuku> (Note)

Overview of the Real Estate Appraisal Report	
Appraisal Value	4,040 million yen
Appraiser	Japan Real Estate Institute
Appraisal Date	October 31, 2020

(million yen)		
Item	Details	Remarks, etc.
Valuation		
Value based on the direct capitalization method		
Operating revenues		
Potential gross revenues: Sum of (a) through (d)		
(a) Rental revenues from rooms for rent including common area charges		
(b) Utilities revenues		
(c) Parking revenues		
(d) Other revenues		
Losses from vacancy, etc.		
Operating expenses		
Maintenance expenses		
Utilities expenses		
Repair expenses		
PM fees		
Advertisement and leasing expenses, etc.		
Taxes and public dues		
Property and casualty insurance premiums		
Other expenses		
Net operating income		
Investment gains on lump-sum payment		
Capital expenditures		
Net cash flow		
Capitalization rate		
Value based on DCF method		
Discount rate		
Terminal capitalization rate		
Value based on cost approach		
Ratio of land		
Ratio of building		
Other matters to which the appraiser pays attention in the appraisal		
		Not applicable

(Note) Consent for disclosure regarding the financial detail was not obtained from the buyer therefore, information other than appraisal value, name of the appraiser and the appraisal date are not disclosed as unavoidable circumstance.

<Nippo Hommachi Building>

Overview of the Real Estate Appraisal Report	
Appraisal Value	1,620 million yen
Appraiser	Japan Valuers Co., Ltd.
Appraisal Date	October 31, 2020

(million yen)

Item	Details	Remarks, etc.
Valuation	1,620	
Value based on the direct capitalization method	1,640	
Operating revenues	115	
Potential gross revenues: Sum of (a) through (d)	119	
(a) Rental revenues from rooms for rent including common area charges	97	Mid-and long-term stable and obtainable rent is assessed for reporting.
(b) Utilities revenues	11	Assessed based on the actual amount.
(c) Parking revenues	10	Assessed based on the actual amount.
(d) Other revenues	1	Assessed based on the actual amount.
Losses from vacancy, etc.	4	Assessed based on mid-and long-term stable utilization for reporting.
Operating expenses	34	
Maintenance expenses	9	Assessed based on the actual amount.
Utilities expenses	9	Assessed based on the actual amount.
Repair expenses	2	Reported based on ER.
PM fees	2	Assessed based on the actual amount.
Advertisement and leasing expenses, etc.	0	Assessed based on the actual amount.
Taxes and public dues	9	Assessed based on the actual amount.
Property and casualty insurance premiums	0	Assessed based on the actual amount.
Other expenses	0	Assessed based on the actual amount.
Net operating income	81	
Investment gains on lump-sum payment	0	1.0% is judged to be reasonable as an operation yield.
Capital expenditures	12	Reported based on ER.
Net cash flow	68	
Capitalization rate	4.2%	Assessed taking into consideration for potential changes of net profit and disposition price and also taking into the consideration similar real estate transactions.
Value based on DCF method	1,590	
Discount rate	4.0%	Based on combination of yield on financial assets adjusted for the individual characteristics of the property and comparison against similar real estate transactions, while also taking interviews with investors into consideration.
Terminal capitalization rate	4.4%	Assessed based on comparison with the capitalization rate, taking as risks the fact that the revenue forecast after the end of the holding period is more uncertain compared to the present, and the possibility of the capital expenditures increasing due to the passage of the building age.
Value based on cost approach	1,320	
Ratio of land	86.8%	
Ratio of building	13.2%	
Other matters to which the appraiser pays attention in the appraisal	Not applicable	

5. Overview of Buyer

The buyer of “Hillicoat Higashi-Shinjuku” is a Japanese corporation, however the name is not disclosed because its consent has not been obtained. It does not have capital relationships, human relationships or transactional relationships with MIRAI or the Asset Manager that should be disclosed. It is not deemed to be related party, either. The buyer of “Nippo Hommachi Building” is as follows:

<Nippo Hommachi Building>

Name	Hide Inter One Co., Ltd.
Address	7F, Inter One Place Karasuma Bldg. 637, Shichikannon-cho, Karasuma-dori-Takoyakushi-agaru, Nakagyo-ku, Kyoto-shi, Kyoto
Representative	President Hidetsune Hashimoto
Business Description	Real estate leasing
Stated Capital	50 million yen
Date of Establishment	March 6, 2003
Net Assets	Not disclosed (Note)
Total Assets	Not disclosed (Note)
Major Shareholder	Not disclosed (Note)
Relationships between the company and MIRAI and the Asset Manager	
Capital	There is no capital relationship to state between the company and MIRAI and the Asset Manager.
Personal	There is no personnel relationship to state between the company and MIRAI and the Asset Manager.
Business	There is no business relationship to state between the company and MIRAI and the Asset Manager.
Relevance to related party	The company does not fall under a related party of MIRAI or the Asset Manager.

(Note) Not disclosed due to the absence of the buyer’s consent.

6. Overview of Brokerage

The broker is a Japanese corporation, however the name is not disclosed because its consent has not been obtained. It does not have capital relationships, human relationships or transactional relationships with MIRAI or the Asset Manager that should be disclosed. It is not deemed to be related party, either.

7. Transactions with Interested Parties, etc.

There is no transaction with interested parties.

8. Future Outlook

Following the disposition, increase of revenue through recognition of disposition gain for Fiscal Period ending April 2021 (the 10th Fiscal Period) and decrease of revenue through lower lease business revenue of the assets to be disposed of for Fiscal Period ending October 2021 (the 11th Fiscal Period) are expected. However, as asset replacement project (acquisition utilizing disposition proceeds) is planned and risk of lower revenue from existing portfolio due to COVID-19 is being reviewed based on the issuance of the government’s state of the emergency in January, revised future outlook will be announced when the assumptions are determined including the above.

(End)

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

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

<Reference Material>

Reference Material: Portfolio List after the Disposition

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Asset Category	Asset Type	Area	Property Name	Acquisition Price (million yen) (Note 1)	Ratio (%) (Note 2)	Acquisition Date
Core Asset	Office	Tokyo	Shinagawa Seaside Park Tower (quasi-co-ownership 63.4%) (Note 3)	20,288	13.6	December 16, 2016
	Office	Tokyo	Kawasaki Tech Center	23,182	15.5	December 16, 2016
	Office	Tokyo	Shinjuku Eastside Square (quasi-co-ownership 5%) (Note 3)	10,000	6.7	December 16, 2016
	Office	Tokyo	Tokyo Front Terrace (quasi-co-ownership 50.2%) (Note 3)	10,592	7.1	October 26, 2017
	Office	Nagoya	MI Terrace Nagoya-Fushimi	8,886	5.9	June 1, 2018
	Office	Others	Orico Hakataeki Minami Building	1,680	1.1	August 1, 2018
	Office	Tokyo	My Square Building	2,800	1.9	December 25, 2019
	Office	Others	Hiroshima Rijo-dori Building	2,250	1.5	March 31, 2020
	Office	Osaka	BizMiiX Yodoyabashi	2,041	1.4	November 1, 2018
	Office	Osaka	TCA Building	2,120	1.4	January 28, 2021
	Retail	Tokyo	Shibuya World East Building	3,200	2.1	December 16, 2016
	Retail	Tokyo	THINGS Aoyama	2,912	1.9	January 9, 2020
	Retail	Others	MI Cube Sendai Clisroad	1,330	0.9	March 31, 2020
	Retail	Tokyo	AEON Kasai (Note 3)	9,420	6.3	December 16, 2016
	Retail	Osaka	MEGA Don Quijote Izumi-Chuo	3,000	2.0	December 16, 2016
	Hotel	Others	Hotel Sunroute Niigata	2,108	1.4	December 16, 2016
	Hotel	Others	Daiwa Roynet Hotel Akita	2,042	1.4	December 16, 2016
	Hotel	Others	Super Hotel Sendai / Hirose-dori	1,280	0.9	December 16, 2016
	Hotel	Osaka	Super Hotel Osaka / Tennoji	1,260	0.8	December 16, 2016
	Hotel	Tokyo	Super Hotel Saitama / Omiya	1,123	0.8	December 16, 2016
	Hotel	Osaka	Super Hotel Kyoto Karasuma Gojo	1,030	0.7	December 16, 2016
	Hotel	Nagoya	Ise City Hotel Annex	1,800	1.2	March 1, 2018
	Hotel	Others	Comfort Hotel Kitakami	820	0.5	March 1, 2018
Hotel	Others	Comfort Hotel Nagano	580	0.4	March 1, 2018	
Hotel	Tokyo	Hotel Wing International Select Ueno /Okachimachi	3,720	2.5	May 15, 2018	
Hotel	Others	Smile Hotel Naha City Resort	4,000	2.7	November 1, 2018	
Hotel	Others	Smile Hotel Hakataeki-Mae	3,800	2.5	November 1, 2018	
Hotel	Nagoya	Smile Hotel Nagoya-Sakae	2,950	2.0	November 1, 2018	
Growth Asset (Core-plus Asset)	Retail	Osaka	Mi-Nara	4,944	3.3	October 26, 2017
Growth Asset (New Type Asset)	Industrial	Osaka	Rokko Island DC (quasi-co-ownership 92.45%) (Note 3)	7,996	5.4	November 1, 2018
	Industrial	Tokyo	Odawara Material Storage and Delivery Center (land)	2,300	1.5	March 1, 2021
	Educational	Tokyo	Tokyo Eiseigakuen Senmongakko	3,900	2.6	January 9, 2020
Total				149,356	100.0	-

(Note 1) "Acquisition Price" shows the purchase and sale value of each asset to be acquired that is stated in the sale and purchase agreement entered with the sellers. The purchase and sale values do not include national or local consumption tax or expenses necessary for the acquisition, and it is rounded down to the nearest million yen. Although the acquisition price of "Mi-Nara" on its sales and purchase agreement is 4,100 million yen, the acquisition price is defined as total investment amount of 4,944 million yen including the additional investment made following the acquisition for the renewal of the property. For "Mi-Nara", the total investment including the additional investment of 4,944 million yen is defined as acquisition price. Also, the acquisition price of "BizMiiX Yodoyabashi" on its sale and purchase agreement is 1,750 million yen, the acquisition price is defined as total investment amount of 2,041 million yen including the additional investment made following the acquisition for the conversion of the property. For "BizMiiX Yodoyabashi", the total investment including the additional investment of 2,041 million yen is defined as acquisition price.

(Note 2) "Ratio" is the ratio against the total of the acquisition price of each property, and the value is rounded to the first decimal place.

(Note 3) Where the asset is owned by sectional ownership or is quasi-co-owned, the value in relation to the sectional ownership and quasi-co-ownership interest belonging to MIRAI is shown.