

September 30, 2020

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 Change in Property Management Company and Master Lessee (Mi-Nara)  
-Progress of Further Renewal Plan of Mi-Nara under “MIRAI Revitalization Plan”-

Mitsui Bussan & IDERA Partners Co., Ltd. (hereinafter the “Asset Manager”), the asset management company of MIRAI Corporation (hereinafter “MIRAI”) announces the change (hereinafter the “Change”) of the property management company (hereinafter the “PM”) and the master lessee (hereinafter the “ML”) of Mi-Nara (hereinafter the “Property”) managed by MIRAI as described below. MIRAI laid out further renewal plan of the Property under “MIRAI Revitalization Plan” announced in “Presentation Material for the Fiscal Period ended April 2020 (the 8<sup>th</sup> Period)” dated June 16, 2020 and the Change will be the first concrete step in implementing further renewal plan of the Property.

1. Summary of the Change

The PM and the ML will be changed on September 30, 2020 as follows.

	Before Change	After Change
PM Company	Yamaki Co., Ltd. (note1)	ITOCHU Urban Community Ltd. (hereinafter “ITOCHU Urban Community”)
ML Company	GK Nara Heijo Plaza (note 1)	
Type of Master Lease	Minimum guarantee type (note 2)	Pass-through type

(note 1) It is a GK (limited liability company) formed by Yamaki Co., Ltd. Yamaki Co., Ltd., the PM, and GK Nara Heijo Plaza, the ML, may be collectively referred to as “Yamaki Group” hereinafter.

(note 2) A minimum guaranteed rent agreement is concluded with Yamaki Co., Ltd. and GK Nara Heijo Plaza. When the total rent and fees for common areas to be paid by the end tenants under the sublease contracts falls below 70 million yen per month (hereinafter the “Minimum Guaranteed Level”), Yamaki Co., Ltd. has agreed to compensate the difference for the period between April 24, 2018 and April 23, 2023.

## 2. Reason for the Change

MIRAI acquired the Property in October 2017 as its first Growth Asset (Core-plus Asset) and implemented renewal of the Property in cooperation with Yamaki Group. MIRAI acquired the Property following the conclusion of minimum guaranteed rent agreement stipulating that Yamaki Group compensates the difference if the total rent received from end tenants falls below 70 million yen per month. However, the total rent remained below the Minimum Guaranteed Level contrary to original forecast since its renewal opening in April 2018 due to issues over capturing local consumers' demand and attracting tourist and inbound traffic. MIRAI and the Asset Manager have given instructions and guidance to Yamaki Group who is the PM and the ML of the Property however, Yamaki Group faced challenges in personnel and operational structure to undertake the overall facility improvement as the PM, as they were also responsible for the operation of the theme park "Nara-Sight" in the Property (note). As a result, the Asset Manager has been directly involved in the management of the Property beyond original expectation and implemented improvement measures such as tenant replacement and event planning. Since the Asset Manager strengthened its involvement, the improvement measures started to show steady progress as in the case of successful introduction of multiple global brands as tenants however, also faced difficulty implementing swift changes as it took a certain time to negotiate with Yamaki Group who is the PM and the ML of the Property in introducing further improvement measures.

Against such backdrop, a request for reduction and relief of minimum guaranteed rent was received as the rent revenue from end tenants declined with serious spread of COVID-19 infections since early this year, while business performance of Yamaki Group worsened. Continuing to fulfill the same level of minimum guaranteed rent as before was determined to be difficult for Yamaki Group and doing so may have an impact on the financial health of Yamaki Group under continued influence of COVID-19. As such, MIRAI decided to carry out the Change as an initiative to continue smooth operation as a retail facility and dynamically implement speedy improvement measures. As a result of the request for reduction and relief from Yamaki Group, the minimum guaranteed rent for the period of May to September 2020 is yet to be received. However, on a basis of Yamaki Group's financial standing and concern over the worsening profitability of the Property due to prolonged negotiations, MIRAI has decided to forgive the entire amount as switching the operational structure in a swift and smooth manner will lead to maximization of the long term asset value of the Property. Following the Change, the profit of the Property will be directly linked to the rent received from end tenants under a pass-through type master lease agreement. ITOCHU Urban Community, the new property management company, is well equipped with the understanding of the management of the Property through its involvement with the Property over a year and a half including the provision of leasing support since March 2019. By thoroughly leveraging on ITOCHU Urban Community's wealth of expertise in managing retail facilities, MIRAI aims for the prompt completion of the further renewal.

Further, through the introduction of ITOCHU Urban Community, a project to replace tenants is underway and a tenant replacement of a large section has already been informally arranged to take place around spring 2021. For further detail of the overview and progress of the further renewal plan of the Property, please refer to "Reference Material: Progress of Further Renewal Plan of Mi-Nara Under "MIRAI Revitalization Plan" (as of September 2020)".

(Note) Yamaki Group will also withdraw from the operation of Nara-Sight with the Change, however, a part of the area will continue to be operated by the succeeding tenant with deep track record in theme park operation while expansion and renewal of the goldfish area which attracts heavy traffic is planned around spring 2021 under the operation by the new tenant.

### 3. Impact of the Change to the profitability of the Property

With regards to the leasing business, rent revenue will correspond to the rents received from end tenants and there will be an increase of 2 million yen per month in outsourcing cost including fees related to property management contract. Recent rent received from end tenants trended around 60 million yen per month (Other leasing revenue is not included) under visible influence of COVID-19 and therefore, MIRAI aims to achieve end tenant rent above the previous Minimum Guaranteed Level of 70 million yen a month following the completion of the further renewal plan. MIRAI has set fiscal periods ending October 2020 (the 9<sup>th</sup> Period) and April 2021 (the 10<sup>th</sup> Period) as the implementation period of “MIRAI Revitalization Plan” and for the purpose of operational forecast, end tenant rent is assumed to remain around 50 million yen a month until the end of April 2021, when the further renewal plan is completed for the Property.

In terms of forecasts for the fiscal periods ending October 2020 (the 9<sup>th</sup> Period) and April 30, 2021 (the 10<sup>th</sup> Period) announced in the “(REIT) Financial Report for the Fiscal Period ended April 30, 2020 (The 8<sup>th</sup> Period)” dated June 15, 2020, risk of reduction of revenue of 237 million yen and 193 million yen respectively are reflected and above impact including the abatement of guaranteed rent during the fiscal period ending October 31, 2020 (the 9<sup>th</sup> Period) is within the original assumption.

### 4. Profile of new property management company and master lessee

The profile of the new property management company and master lessee are detailed below. As mentioned in above “2 Reason for the Change”, ITOCHU Urban Community has signed a leasing support contract with the Asset Manager for the Property in addition to property management contract for some other properties under management of MIRAI. However, there is no other conflict of interest between the MIRAI and the Asset Manager.

Trade Name	ITOCHU Urban Community Ltd.
Address	2-7-1 Nihonbashi Honcho Chuo-ku, Tokyo
Representative	Koji Fukaki, President & CEO
Principal Business	Management of Condominium, Property Management, Building Management, Residential Property Operation
Capital	310 million yen

### 5. Outlook

As stated in above “3 Impact of the Change to the profitability of the Property”, the Change is implemented as part of the MIRAI Revitalization Plan, and the risks such as possible reduction of revenue and increase of costs due to the Change are already reflected in the forecast for fiscal period ending October 31, 2020 (the 9<sup>th</sup> Period) and April 30, 2021 (the 10<sup>th</sup> period) published in “(REIT) Financial Report for the Fiscal Period ended April 30, 2020 (The 8<sup>th</sup> Period)” dated June 15, 2020, and there is no changes to the forecast of operations.

\*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.**

<Appendix>

Reference Material: Progress of Further Renewal Plan of Mi-Nara Under “MIRAI Revitalization Plan” (as of September 2020)



# Progress of Further Renewal Plan of Mi-Nara Under "MIRAI Revitalization Plan"

MIRAI Corporation

September 2020

AM Company : Mitsui Bussan & IDERA Partner Co., Ltd.  
Security Code : 3476 <https://3476.jp/en>

# Overview and Further Renewal Plan of Mi-Nara (As of September 2020)

Further strengthen the Asset Manager's involvement based on elements to be required in post-COVID-19 era.  
Aim to implement "fundamental" restructuring plan.

## Overview of "MIRAI Revitalization Plan"

1

### Review of operational structure

The Asset Manager, the PM (Yamaki Co., Ltd.) and leasing support company (ITOCHU Urban Community Ltd.) have jointly operated the asset. Given the sluggish performance of Nara-Sight (tourist attraction with Ninja and goldfish theme) operated by Yamaki who is the property manager, **the Asset Manager intends to establish a structure that further increases its involvement in operation of the asset.**

2

### Review of tenant mix/ inbound tourist strategy

While concept for the asset as "Tourism-oriented Retail Property" will be maintained, tenant mix will be reconstructed to increase and stabilize the sales by capturing traffic from Nara Prefectural Convention Center / JW Marriott Hotel Nara, **inviting tenant with strong ability to attract consumers for daily-needs (tenant replacement)** and replacing merchandise stores that were slightly in oversupply to stores providing services, tourism and F&B.

3

### Consider cooperation with new 3rd party partner

While increasing involvement as asset manager through above 1 and 2, **consider cooperation with a new 3rd party partner** with different expertise and network outside of the existing operational structure in order to further improve the operation. Some specific ideas are being studied including review of promotional and customer attraction activities, as well as hosting events jointly.

## Progress (As of September 2020)

Change the PM and the ML from Yamaki Group to ITOCHU Urban Community. **Type of master lease was changed from minimum guarantee type by Yamaki Group to pass-through type**, by thoroughly leveraging on ITOCHU Urban Community's wealth of expertise in managing retail facilities and reviewing of the operational structure, **aim to implement speedy improvement measures.**

Done

Through the introduction of new PM, a project to replace tenants is underway. **A tenant replacement of a large section has already been informally arranged to take place around spring 2021.** Furthermore, review of the tenant mix will be continued to create an attractive facility centered on a topical core tenant. Inbound tourist strategy is also under way (3 below).

In Progress

A part of the area of "**Nara-Sight**", the theme park which was operated by Yamaki, will continue to be operated by the succeeding tenant with deep track record in theme park operation. Consider **expanding and renovating the "Goldfish" area**, which is expected to attract more customers as an inbound (tourism) and entertainment element.

In Progress

# Switching the Operational Structure “A long-term restructuring plan for the Post-COVID-19”

Minimum guaranteed rent will be abolished because of an impact on the financial health of Yamaki under continued influence of COVID-19. MIRAI plans to implement speedy improvement measures and long-term restructuring plan under the new operational structure.

## Change of the PM & ML

	PM Company	ML Company	Type of ML
<b>Before</b>	Yamaki	GK Nara Heijo Plaza	Minimum guarantee type <sup>(Note)</sup>
<b>After</b>	<b>ITOCHU Urban Community</b>		<b>Pass-through type</b>

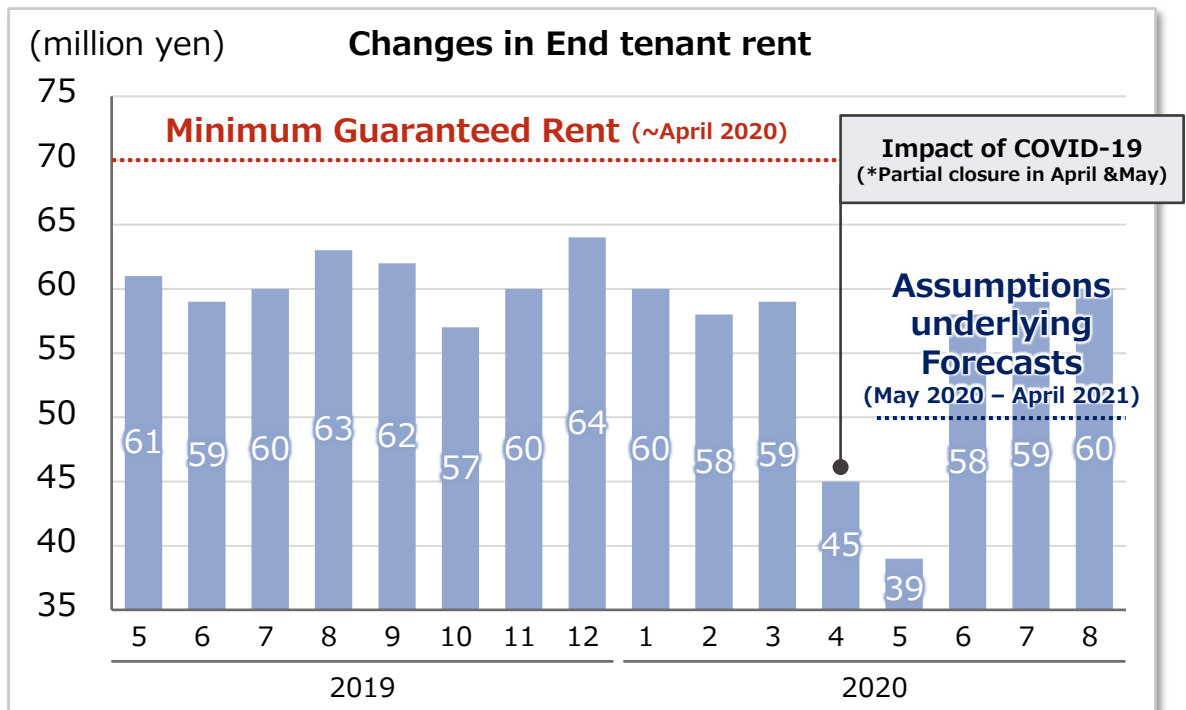
(Note) A minimum guaranteed rent agreement is concluded with Yamaki and GK Nara Heijo Plaza. When the total rent and fees for common areas to be paid by the end tenants under the sublease contracts falls below 70 million yen per month, Yamaki has agreed to compensate the difference for the period between April 24, 2018 and April 23, 2023.

## Profile of new PM Company (ITOCHU Urban Community)

<b>Address</b>	2-7-1 Nihonbashi Honcho, Chuo-ku, Tokyo	
<b>Representative</b>	Koji Fukaki, President & CEO	
<b>Principal Business</b>	Management of Condominium, Property Management, Building Management, Residential Property Operation	
<b>Capital</b>	310 million yen	
<b>Management Number of PM (as of March 2020)</b>	<ul style="list-style-type: none"> <li>✓ Condominium 106,680 houses</li> <li>✓ BM 668,615 tsubo</li> <li>✓ PM 736,987 tsubo</li> <li>✓ Residence 22,171 houses</li> </ul>	

## Impact of the Change to the profitability of the Property

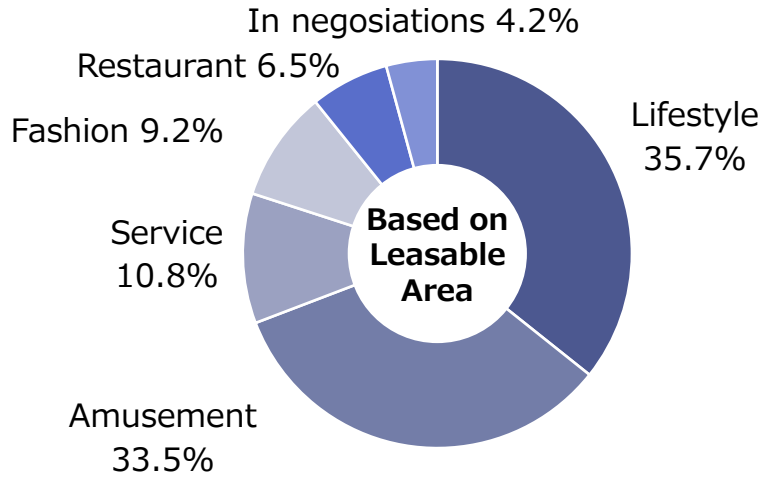
- The profit of the Property will be **directly linked to the rent received from end tenants** under a pass-through type ML agreement. Recent rent received from end tenants trended around 60 million yen per month under visible influence of COVID-19 (Other leasing revenue is not included).
- Outsourcing cost including fees related to PM contract will increase of 2 million yen per month.
- End tenant rent is assumed to remain around 50 million yen a month until the end of April 2021, when the further renewal plan under “MIRAI Revitalization Plan” is completed for the Property. **There is no changes to the forecast of operations.**



# Review of Tenant Mix

A project to replace tenants is underway with new PM. Continue to review the tenant mix with a sense of urgency to make the facility more attractive.

## Tenant Category (Based on Leasable Area/as of April 2020)



## Floor Map

7F	Hostel
6F	Amusement (ROUND 1 STADIUM)
5F	Amusement (ROUND 1 STADIUM)/Museum
4F	Amusement (Nara-Sight)/Home appliance/Service etc.
3F	Miscellaneous items/Baby goods/Nursery
2F	Fashion/Miscellaneous items
1F	Food/Daily necessities/Food courts

## Review Policy/Progress of Tenant Mix

### Progress of Tenant Replacing Project

- **A tenant replacement of a large section has already been informally arranged to take place around spring 2021.**
- This is the tenant replacement in the core area of the Property, and is also an important project for the new tenant to expand its business area.
- Aim to increase its ability to attract customers to its daily-use products, which has been a weak point.

### Review of Tenant Mix

- While maintaining the current composition of tenants by level, **review the tenant mix further** by attracting a topical core tenant. Planning to attract famous brands with high recognition, daily tenants that can be expected to generate stable demand, and tenants in new fields that will expand the range of customers.
- Aim to maximize the number of customers in neighboring commercial areas by improving the prosperity of the facility as a whole, and to capture demand for shopping around, including from existing tenants.

### Effective Use of Theme Park "Nara-Sight"

- Yamaki Group will also withdraw from the operation of **"Nara-Sight"**, however, a part of the area will continue to be operated by the succeeding tenant with deep track record in theme park operation.
- While **expansion and renewal of the goldfish area** which attracts heavy traffic **is planned around spring 2021** under the operation by the new tenant, and the expansion of inbound (tourism) and entertainment elements will continue.

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Monetary amounts are rounded down to billions, millions or thousands of yen.

Percentage figures are rounded off to the first decimal place.

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