

MIRAI Corporation

Q&A from result announcement for fiscal period ended October 2019 (the 7th fiscal period)

Date: January 24, 2020 (Friday)

Q1.

What is MIRAI's view on office acquisition environment?

A1.

Severe acquisition competition is expected to continue, and it is important to be creative in acquisition. For example, in acquiring My Square Building at recent PO, we presented the offer price to the seller at early stage so as to bring the deal into one-on-one negotiation. Further, more information related to properties for sale is being supplied due to consistent PO and acquisition and about 20~30 billion yen worth of assets including office and other asset classes are currently under consideration. In addition, there are some concrete projects under discussion regarding the collaboration with Mitsui & Co. Real Estate, the property development company of Mitsui & Co.

Q2.

What type of assets will MIRAI acquire under New Type Assets?

A2.

Examples of specific assets under consideration include data centers and medical buildings. Data centers include sale & leaseback projects, as well as logistics properties whose locations are well suited for data centers and can be redeveloped into data centers. For medical buildings, although the size of asset is not large, we hope to undertake projects to improve the profitability of an asset leveraging on Mitsui & Co. group's comprehensive capability as the group focuses on the medical field.

Q3.

Was there a change in the acquisition strategy with the acquisition of relatively unique assets such as a wedding hall and an educational asset in the recent PO?

A3.

The wedding hall is located in Aoyama in Minato-ku which has high intrinsic value of property and has potential for conversion of usage and hence, is not considered to be a unique asset in particular. Educational asset is a new type of asset and we are not going to actively target these types of assets in the future because educational corporations are required to own their properties in principle and disposition of such assets requires coordination with the related government offices in charge. The acquisition this time was determined based on its specific situation such as social significance of training non-doctor medical staff which will see increased demand socially in the future. We will continue to make decision based on individual situation of each asset however, we are not necessarily going to actively increase acquisition of unique assets by changing the strategy.

Q4.

Of the 30 billion yen of assets under consideration, what type of assets are specifically being considered?

A4.

Mid-sized offices in Tokyo area and regional core cities as well as retail assets in major metropolitan area comprising mostly of service tenant are under consideration. Some hotels are also under consideration, however the area's supply and demand situation as well as the operator will be scrutinized and fixed rent lease will be concluded in principal.

Q5.

Will MIRAI continue to consider M&A as part of its growth strategy as in the case of the attempted merger with Sakura Sogo REIT Investment Corporation ("Sakura" thereafter)?

A5.

We are following the direction of the trial as suit was filed regarding the result of the unitholders general meeting with regards to the merger with Sakura. However, we will continue to consider M&A as one of the options of growth strategy as we believe there is further opportunity for industry reorganization in the future.

Q6.

What is the benefit of investing in data centers?

A6.

We see stability of long-term fixed lease attractive rather than potential for upside.

Q7.

How was the tenant's credit worthiness reflected in the valuation of Tokyo Eiseigakuen Senmongakko which was recently acquired?

A7.

We have reflected in the valuation the fact that a medical corporation group will become a sponsor of the tenant Goto College of Medical Arts and Sciences and supplement its credit worthiness. We interviewed the head of the medical corporation which will be the new sponsor to ask about the background on how they chose to become a sponsor as well as the management policy of the group going forward. One of the reasons why we have decided to acquire the asset was because we agreed with and understood the views presented.

Q8.

Where are the sources of information for the assets under consideration? Are they from sponsor sources?

A8.

Currently, majority are from third party sources. Although we are in discussion regarding some specific development projects with Mitsui & Co. Real Estate in terms of sponsor sourced deals, it will take some time before we can see some results from the collaboration.

Q9.

With regards to potential M&A, will MIRAI consider acquisition of dedicated REITs and not just diversified REITs? Is it possible for MIRAI to merge with another REIT which has larger market capitalization than MIRAI?

A9.

MIRAI is a diversified REIT and therefore we can consider potential M&A without being restricted to certain asset type. It is possible to consider merger with a REIT with larger market capitalization as long as it is not a hostile takeover.

(End)