MIRAI Corporation
Summary of Q&A Session at Result Announcement for fiscal period ended October 2018 (the 5th fiscal period)

Date: December 14, 2018 (Friday)

Q1.
What is the strategy for achieving 200 billion yen AUM target by the end of 2020? Please discuss also potential asset replacement, acquisition route (via market / sponsor) as well as investment in funds.
A1.
MIRAI has relied on sponsors in acquiring all of the assets thus far and hope that sponsors will continue to provide us with solid pipeline. At the same time, we will continue to work to identify deals through our own sourcing route before they come to the market to negotiate on one-on-one basis.
Yield may not be satisfactory to meet MIRAI's criteria if we are to acquire an asset simply outright. Therefore, we will also consider setting up a fund consisting of high spec properties and jointly invest with a long-term investor. We consider this to be an effective way to secure future pipeline by obtaining right of first refusal to the assets at the time of investment to the fund while obtaining additional DPU support from the return on the investment.

Q2.
Does MIRAI think that it can lower the risk premium and close the gap with the JREIT average DPU yield by attaining goals set under the mid-term management plan or are there any other factors under consideration?
A2.
Risk premium of 1.6% point over J-REIT average DPU yield of 4.7% feels too wide considering our credit rating and our sponsors and we believe it is important that we have investors understand the true qualities of MIRAI. We understand that the risk premium will not go away if we do not do anything therefore, we are going to continue to work on the IR activities as we have done so in the past.
Current credit rating from JCR is A+ (outlook stable) and we believe we have worked to address future issues mentioned by JCR at the time of obtaining credit rating, and hence we will aim for further upgrade.

Q3.
What is the reason behind using expression "monetary tightening" and formulating plans based on the future tightening of financial condition?
A3.
We have strong support from financial institutions and we do not see any clear tightening trend in J-REIT sector. However, we cannot rule out possibility of change of market triggered by reversal of expansive monetary policy such as credit tightening toward individuals for apartment loans. In addition, we have seen transactions in the real estate market that lack in care somewhat and industry bodies are organizing seminars on monetary tightening and hence we believe we are entering into a phase for us to be more cautious.

Q4.
What is the reason behind the large discount of investment unit price from where it should be? As MIRAI aims to reduce risk premium and improve investment unit price in the mid-term management plan, does MIRAI plan to consider potential introduction of Asset Management fee linked to investment unit price?
A4.
We fail to understand the higher risk premium added to the DPU yield to be honest despite the ample support MIRAI receives from two sponsors with different strength, namely Mitsui and Co., group and IDERA Capital Management. There are many investors who tell us that time will solve the issue and that we should be patient. We have already been achieving the DPU target and we hope to be evaluated based on our solid achievement of goals set under the expanded mid-term management plan “Repower 2020-ER”.
We have already introduced Asset Management fee system that links to lease business revenue and we have aligned our interest with that of the investor. Therefore, we have not considered introducing investment unit price linked asset management fee at this point.

Q5.
It is difficult to gage who the sponsor, IDERA Capital Management is, as they are private market player in real estate market. Can you share historical acquisition track record, investment return criteria, purpose and target of carrying out business in Japan and its future vision?
A5.
In 2001, the predecessor of IDERA Capital Management was formed. Since then, it has cumulatively invested approximately 900 billion yen up to today and currently run funds such as residential real estate fund with European investors. Investment return differ depending on projects with core type assets achieving roughly single digit return while opportunistic projects offering roughly double-digit return.
Although the current parent company is Fosun International which is a Chinese company, it is a real estate fund & asset management company that is formed and grew in Japan and it plans to continue to grow through investment in Japanese real estate as its core business. Core members of the company have long worked in Japanese real estate market and it has become a very important source of pipeline capturing information that were not captured by Mitsui and Co., group alone.

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